Credit

AND FINANCIAL MANAGEMENT

AUGUST 1939

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Contents for August, 1939

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1939 Tea Party?

Despite all of the effort to drive home their retarding effect on business and prosperity, on incentive and employment, it can fairly be stated that the majority of our people have continued to be quite casual about their interest in high taxes. This indifference resulted no doubt from the character of most of our taxes. So many are indirect or hidden that the average man or woman is not really conscious of the enormity of the tax toll.

Educational efforts to apprise them of the true situation, although helpful, have not been sufficiently convincing to develop mass protest calling for reduction in costs. Our age has not yet had its Boston Tea Party.

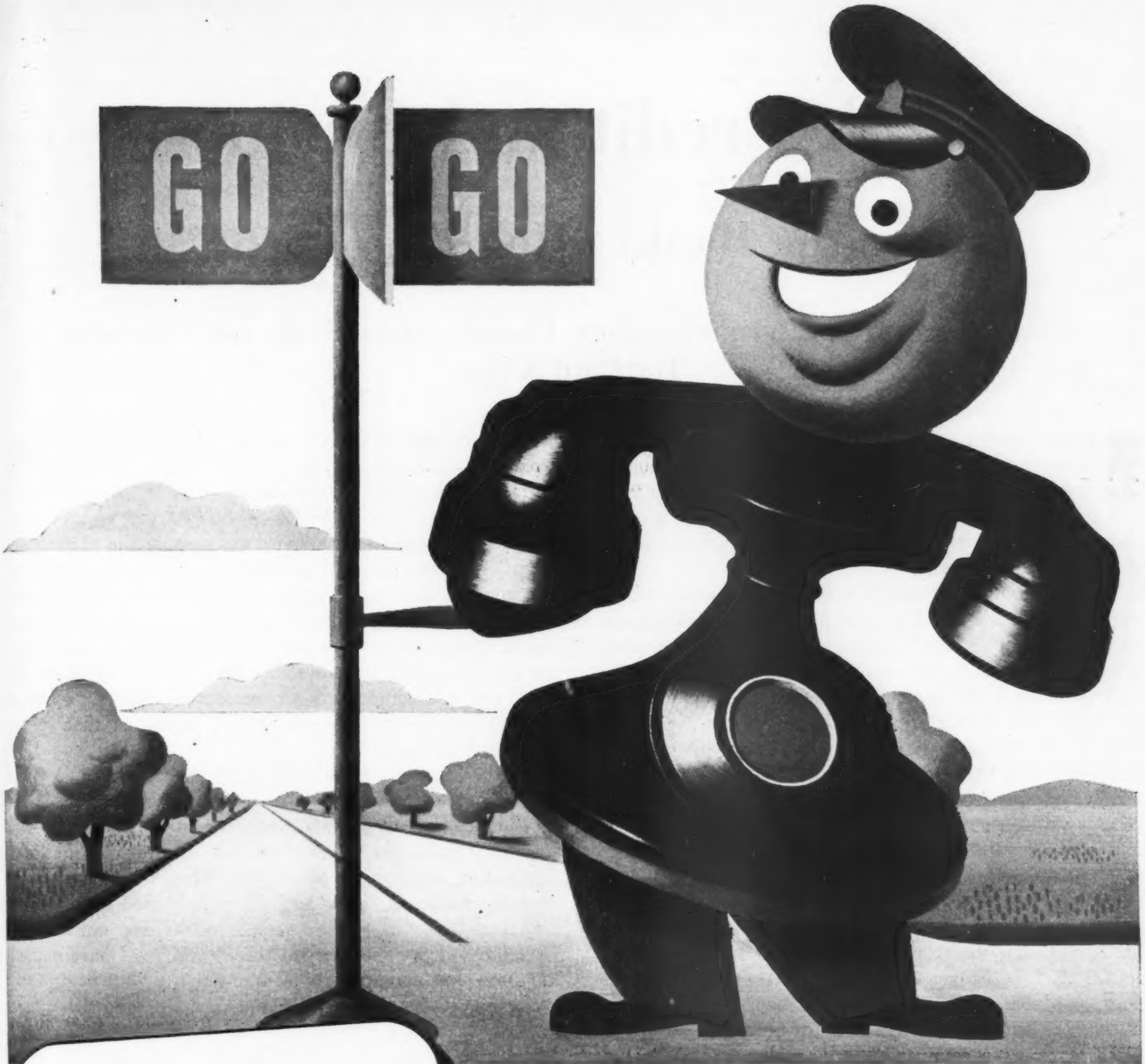
Last month, however, there were indications that a mass tax protest was under way in at least one state. The cause: the new state cigarette tax passed by New York, which imposed two cents on top of a previous one cent tax collected by the city of New York in its area and the regular federal tax of six cents. The federal and city tax had been taken in stride, but the added two cents tax was the straw that, if it did not break the camel's back, did certainly make the camel balk.

Here was a direct tax affecting the purse of every smoker. It meant that a 17 cent pack of cigarettes carried more than one-half of the retail price in the form of taxes. Almost immediately protest got under way. Commuters from neighboring states came in with pockets bulging with cigarettes purchased for office and factory associates who lived in New York. Retailers in that area saw their cigarette sales drop precipitately. A touched purse made everyone tax conscious.

Here then is the clue to an awakening of all classes as to our tax problem: broaden the income tax base. Make every wage-earner contribute directly by this means for his share of the cost of government and you will quickly develop full realization as to today's tax toll. With that background, discussions of government economy would leave a serious impress on the public mind.

Bring more taxes into the open—and there will likely be less openings for new or higher taxes.

Executive Manager, N.A.C.M.



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Bank Credit and Business

Are the Banks "Hoarding Cash?"

By L. A. Partridge, Vice-President, Phoenix State Bank and Trust Co.
Hartford, Conn.

I am assuming that what you want to hear is a banker's idea of what he considers his function to business, what he believes the function of business is to the bank and how he is endeavoring to merge these two functions to the ultimate profit and satisfaction of both banks and business.

Let me quote a few words from F. L. Lipman, Chairman of the Board of a large California bank. The quotation is this—"The basic function of banking is to exchange credit for cash and cash for credit, instantly, on demand and so to keep the community liquid." I want you to get that idea "credit for cash and cash for credit, instantly, on demand and so to keep the community liquid." Liquidity in a bank is a prime essential and if you can accept that statement at its face value, it may serve to clear away some of the mistaken ideas regarding banks and bankers.

What is the Banker's Situation?

It is easy to say that the bankers are to blame for the ills of business, but that may be because business fails to realize that the banker in order to give credit to business must get credit. I don't mean that banks must borrow in order to lend, but they must have deposits in order to make loans. No commercial bank to my knowledge in any active business community has sufficient capital of its own to care for the needs of that community. It must have deposits. These are usually several times the amount of its capital. In the case of my own institution, we owe our depositors over ten times the amount of our net worth and our ratio of quick assets to liabilities is about 10 to 9 and believe me any business with that ratio has to be sure to keep its assets quick.

To the extent that we take deposits, we accept credit and owe money and the credit we accept is of a peculiar type. Those deposits are mostly on demand. That is to say any of our creditors can at any time demand his money and what is more, he expects to get it without any alibis. We do not buy this money on 60 or 90-day terms. It is entrusted to us to be returned instantly and that trust is warranted if and only if, based on examination of our statement, our depositors feel that the character of our assets is such as to guarantee the return of their money when they want it. The hundred dollar depositor or even the $5,000 depositor may give this little thought for under the present conditions his money is protected by the Federal Deposit Insurance Corporation, but the company or individual that deposits in large amounts does not fail to scrutinize the character of the assets of its depository bank.

Need for Liquidity

I have stressed the necessity for keeping the community liquid and you as credit grantors should have no difficulty in appreciating this point, for if communities are not kept liquid, purchasing power is curtailed and you as business men cannot afford to grant credit where your customer's ability to pay is prejudiced by the weakness of his bank, and you as credit seekers cannot obtain loans from a bank which permits its assets to become so frozen that it has no funds to loan.

How are the banks performing their part in keeping the community liquid? I can only speak for my own institution. Our deposits are roughly 36 millions. To pay these deposits, we have 12 millions in cash, 8 millions loaned to our customers and 18 millions in government bonds, municipal bonds and notes purchased in the open market. We have other assets which are not readily available to pay deposits, but the 38 millions I have named is more than enough to cover our deposits.

Assuming that the 18 million in bonds and paper are readily convertible to cash, it looks as if we were performing our function, not wisely, but too well. It looks as if we had too much inventory and not enough receivables. That is true, but we are not so badly overstocked with money as we seem. The velocity with which those deposits turn over is tremendous and the fluctuation can be very wide. With deposits of 36 million, it is not unusual to have a monthly turnover of debits and credits of 100 millions or more and I have seen deposits drop from over 30 million to 20 million in a few months' time. With such velocity and such fluctuation in deposits, a substantial portion of that cash item is necessary for ordinary daily operations, but the government and municipal bonds we do not need any more than I need a third leg except for the meager income derived from them. I would much rather trade them for good receivables in the form of notes of responsible corporations, firms and individuals, but it cannot be done.

Take a Look Back to 1929

And why it cannot be done is a long story which I will try to abbreviate. From 1929 to 1933, confidence and particularly long term confidence had been pretty well destroyed and I believe business and banks alike were to some degree responsible for its destruction. Many

banks had failed to keep themselves and their communities liquid and industry in many cases had failed to keep their promises to banks which perhaps read "four months after date, we promise to pay." It ended up by banks and business each blaming the other and both blaming the government. Wherever the fault lay, the fact remains that confidence had disappeared. This is the animal we are all trying to coax, wheedle and cajole into showing its face again. Generally speaking, there are long term lenders and short term lenders.

Insurance companies and savings banks normally should belong in the first class and commercial banks like ourselves in the second class. The experience of insurance companies and savings banks indicates that only a minor portion of their funds needs to be retained in cash and they are normally the seekers of long term bonds and mortgages as an outlet for funds with which to produce earnings. But without confidence in the future, what company wants to contract to pay bonds due over a period of 20 years. No power company is going in debt to extend power lines without being confident of a reasonable return on the investment. Without confidence, what man wants to contract to pay a mortgage maturing over 20 years?

The natural result was that as some measure of confidence returned, necessity, dictated by desire of insurance companies to pay dividends to policyholders or stockholders and the desire of savings banks to pay interest to its depositors, forced a grand scramble on the part of these long term lenders to acquire the good long term investments available. There were not enough of such investments to go around. The high class railroads, utilities, and industrials could see no object in making obligations simply to furnish lenders with satisfactory investments when they could see no profitable use for money. The individual could see no object in becoming a home owner without some assurance of income to provide carrying charges and repayment of his mortgage. Existing long term investments were in such competitive demand that the return on money invested in them discouraged the insurance companies and savings banks. Their idle funds piled up in commercial banks already crowded with funds they could not loan.

Meanwhile, competition from our long term lenders which had come into the short term field as well as among ourselves was forcing the price up on short term investments until their yield was ridiculous. Commercial paper, government bonds and municipal bonds were about all the short term investments we could find that seemed to offer any return and still maintain the safety factor required to preserve our liquidity for the benefit of our depositors. What has happened? Commercial enterprises which once paid over 9% for money and were glad to get it can now sell their paper at ½ of 1%. That is quite a variation in the price of our merchandise.

How Taxes Affect Business

Added to this unprecedented condition was a matter of 12 million unemployed people. You as merchants and manufacturers could not employ them. Money lenders, long and short as guardians of other people's money could not give away the money entrusted to them. Who was to feed them? Nobody but the good old U. S. A. in the person of its alphabetical agencies. To raise the necessary funds for this huge relief problem, business was taxed beyond its ability to pay and earn a dividend. The deficit which taxation failed to provide was financed by bond issues and banks and insurance companies alike purchased the bonds for whether we have good government or bad government, balanced budgets or deficits, we are not selling America short and we believe that its resources and its people are basically sound and that its promise to pay will some time be kept.

If the Government had confined itself to financing relief operations, there would be little objection to the taxes we are all forced to pay. While I agree on principle that work relief is better than dole relief, the government has carried that idea beyond normal limits. Through W. P. A. labor furnished by the government, many municipalities have been encouraged to build highways, sewers, schools and public buildings; and issue bonds to pay for their share of such works. Whether this is wise or not, time alone can tell, but nevertheless, it is an added debt burden to business and the individual.

But Government did not stop there. It invaded the field of private business in two ways. One by starting projects that were in direct competition to already existing industries and another by establishing loan agencies to finance the weaker industrial companies and taxing all of us to pay for our own competition. It is on this issue that most of us differ with the government. You who are sound and solid business men would not thank us as bankers for financing a weak competitor who in order to repay his loans must sell so close as to destroy your profits or failing to repay, ends in bankruptcy with resultant liquidation that demoralizes markets. We as bankers could not face our depositors with the statement that we were using their money to finance continued deficits of companies which could not repay and therefore we could not pay them.

Banks Are Not Hoarding Money

I believe to a large degree it was our reluctance to make loans which in our best judgment were unsound and decrease the liquidity of our community to the ultimate injury of you strong and healthy representatives of industry that gave rise to the oft repeated statement that the banks were hoarding money and would not extend credit.

Nothing could be further from the truth. Stop and think a minute of my individual position. I am a loan officer. I can make as much money for my bank by making a loan of $100,000 at a fair rate of interest as I can by purchasing 2 million dollars worth of bonds at prevailing rates. If a loan is safe why should I say, "No"?

For September

"What Price Fire?" by Oscar Iber, Chicago

"Credit Cards in Gasoline Field," by H. E. Butcher, General Credit Manager, Cities Service Oil Co.

"Wage and Hour Legislation," by Andrew K. Black, III, Legal Dept., Koppers Company, Pittsburgh

"Important Improvements in Insurance Coverages," by Clarence T. Hubbard

I earn my bread and butter by saying, "Yes" when asked for a loan. It is true that if a loss occurs, it is much harder to make it up at present rates than when money was quoted at an accepted rate of 6%. Perhaps that makes us more careful in investigating the probability of repayment of a loan, but it certainly does not prevent us from giving careful consideration to every application for credit.

Banks are anxious to make loans and loans which were formerly rarely found in a bank's portfolio today form a substantial part of its assets. I refer to commodity loans on warehouse receipts; building loans in anticipation of permanent financing; consumer financing loans for the purchase of automobiles, refrigerators, stoves, radios and appliances in general; installment loans to individuals; term loans to industry to replace working capital temporarily transferred to fixed assets, loans on insurance policies, loans on savings bank books. These in addition to the customary commercial loans for financing the turnover of inventory or receivables and loans to purchase or carry securities. All of this we are willing and anxious to do for responsible merchants, manufacturers and individuals, but we are not gamblers and we particularly must refrain from gambling with other people's money.

Guardians of People's Cash

Now I have tried to make our position a bit clearer to you and have been rather long winded in doing it, but you will no doubt wonder what we expect from business. We expect an understanding from business of our peculiar position of being not only the guardians of the people's money, but also the dispensers of credit and to realize how we must of necessity confine our loans to responsible enterprises which can show themselves worthy of the right to use other people's money.

The time has gone when the average merchant or manufacturer can drop into a bank, slap his statement on the desk and say, "I want $100,000" and get it with no further explanation, simply because he always has been good and because his statement is good. We have learned from bitter experience that a business good today may be broke tomorrow. There may be a few large industries that may not be much affected if its community ceases to maintain its liquidity, but on the whole, what affects your community affects you.

We believe that you business men should be glad to furnish us with all the necessary information including operating details to help us determine whether a loan made to you can be repaid. We are worse than useless to you if we loan you money which you cannot repay. We are not infallible. We shall make mistakes. You will make mistakes. There is less chance for such mistakes if you will co-operate with us to make our loans safe when pay day comes as well as safe the day they are made. I don't know anything sadder than the man who says, "If the bank had turned me down, I couldn't have got myself in this mess and I'd be in business today."

Importance of Audits

In this day and age of changing conditions and multiple taxes, it is a wise man who knows his own wealth. Sometimes it is of material advantage to such an individual or business if a disinterested party can examine the books and express an opinion of the condition existing. Therefore, we recommend audits by certified public accountants. Remember it is pretty hard for you to look at your accounts and say, "Bill Jones' note is no good" when you have known Bill all your life, and there is always a tendency to include in the inventory at some price items that have been taking up storage space for years. A dispassionate appraisal of such items sometimes clears the way for loans if your banker on the basis of an audit can feel that enough of your assets are sound and not subject to violent depreciation in the event of liquidation.

In closing, I wish to summarize by saying that the banks have plenty of funds. They are more anxious for you to use them than you are to do so. They must retain their liquidity and they must have your honest co-operation to do it. If there is any good in the various forms of government financing, between us, we must find it and adopt it; exclude the bad and force the government out of competition. If you will try to understand our position, be assured we want to understand yours and if we can get intelligent co-operation and fair treatment from Washington, together we can restore confidence in American business in the hands of responsible business men.

New and Hold-Over National Directors at Meeting Held at Close of Grand Rapids Credit Congress. Left to Right (Standing) Hold-Overs: R. W. Watson, Los Angeles, H. W. Minchin, Rochester, J. G. Holland, Birmingham, R. L. Simpson, New Orleans, L. Motz, Sioux City, R. S. Shannon, Milwaukee, Joseph Rubanow, New York, L. E. Schroeder, Chicago, F. W. Edwards, Louisville, Fred L. Andrews, Denver. (Seated) New Directors: Harry E. Howland, Fargo, C. B. Rairdon, Toledo, W. E. Woollenweber, Wheeling, Paul W. Miller, Atlanta, Robert L. Griffiths, Utica, R. M. Rice, Meriden

How Banks Lend

A Survey of Loan Practices Made by Research Council, American Bankers Association

By Gurden Edwards

The results of a survey of the everyday loan practices of commercial banks in the United States made by the office of the Research Council of the American Bankers Association are analyzed in the following study.

To meet the often repeated statement that banks are not meeting the credit needs of business, the American Bankers Association set for its Research Council the job of finding out just what is the true situation in this regard in all sections of the country. This survey of Loan Practices "indicates the large extent to which banks are employing active measures to stimulate the use of bank loans."

It indicates the large extent to which banks are employing active measures to stimulate the use of bank loans on the part of the public in their communities for both personal and business purposes. It shows the liberal adaptations which they have made in their lending policies and methods in order to meet the varied requirements of individuals and business concerns applying to them for credit. It also discloses the cordial attention they are giving to the needs of small borrowers.

The survey was undertaken because of frequent public statements to the effect that banks are not fully meeting their opportunities and duties in making loans to business and especially to small business, and that their lending practices are not wholly adapted to the present day desires and needs of the public.

The Plan of the Study

This study does not go into the subject of commercial credit theory or deal with generalized policies in the field of commercial bank lending. It presents simply a direct first-hand picture of practical operations based on the actual transactions and activities making up the daily business of commercial banks of all classes and size groups in every part of the nation.

The requisite information was gathered by questionnaire from a group of banks which represent a cross section of the entire commercial banking structure; the ratios of class, size and geographical distribution in the group are approximately the same as among all the banks. This result was obtained by distributing the questionnaire in accordance with these ratios and adjusting the returns to conform to them. The bulk of the returns were dated in the last three weeks of January 1939. The following analysis, therefore, is believed to present a picture that is typical of the present day loan operations of the commercial banks of the United States as a whole.

Efforts to Stimulate the Use of Loans

The first question inquired as to what efforts the bank addressed was making to stimulate the use of bank loans in its community. The returns from the banks included in the tabulation were:

Making positive endeavors to stimulate loans.	86.5%
Making no special effort	9.0%
No answer to this question	4.5%
	100.0%

The question was also asked as to whether advertising, direct solicitation, the offering of lines of credit to customers or other means were being used to stimulate loans. A number of the reporting banks indicated the use of two or more of these specified means so that the following percentages overlap:

Advertising	74.8%
Solicitation	63.4%
Offerings of lines of credit	57.9%

Other miscellaneous means mentioned were competitive rates, maintenance of a record for taking care of the credit needs of worthy customers, the offering of special services in connection with loans, the use of personal contacts, working with borrowers in need of help to develop programs for the liquidation of their debts, suggestions to customers that they bring in others in need of credit, making applicants feel at ease when they ask for loans, and the granting of various specialized types of loans, such as character or small loans to individuals, loans on life insurance policies or loans to finance installment purchases.

The Number of Loans

A question as to the total number of loans outstanding to local borrowers was fully answered by 86.6% of the responding banks, 13.4% making no, or incomplete, answers. Since this 13.4% deficiency in answers was distributed over the various categories of banks it is not felt

that it materially impaired the representativeness of the answers to this question. The data received as averaged for the banks sending complete information indicated 1016 loans per bank.

As to credit cooperation with small borrowers, the question was asked as to the number and aggregate amount of loans the banks had outstanding of less than $1,000 each. This query was fully answered by 77.9% of the reporting banks, 22.1% returning no, or incomplete, answers. The data furnished indicated an average number per bank for such loans of 736 and an average size per loan of $241.

The next question was framed to bring out information as to the extent to which open lines of credit offered customers were being availed of by them. The form of question excluded answers in this instance from the many banks not following this practice, while a number which responded gave incomplete answers; about a third of the banks returning questionnaires stated that they granted open lines and supplied the requested data in complete form. Their figures indicated that less than thirty-two per cent of the credit proffered by them to customers was being used.

Intermediate Term Loans

In order to develop information indicative of how widely commercial banks are extending credit to their customers for longer periods than are customarily associated with commercial loans, the question was asked: "How many loans on your books, exclusive of mortgage loans, were granted on a repayment basis of two years or longer?" The replies to this question were as follows:

Banks reporting no loans of this type	63.6%
Banks reporting this type of loan	20.6%
Banks not answering this question	15.8%
	100.0%

The detailed data received from the banks answering this question in the affirmative, that is, 20.6%, indicated that on the average they had outstanding 55 loans of this type. The dollar total of term loans as averaged per bank was $73,732. The size was $1,343 on the average for all loans presently outstanding as reported by this group. A detailed analysis of the returns shows that small banks are making capital loans in amounts commensurate with the needs of the small business men of their communities while the big city banks are extending accommodation of this type in substantial figures. Tabular data supporting this statement are as follows:

Banks with deposits:	*Average number of term loans reported*	*Average size of loan*
Up to $500,000	50	$359
$500,000 to $1,000,000	35	681
$1,000,000 to $2,000,000	38	480
$2,000,000 to $5,000,000	58	627
$5,000,000 to $50,000,000	106	2,096
$50,000,000 and over	8	75,293

This last dollar average, for banks with deposits of fifty million and over, does not give effect to the serial loans of the several billion dollar banks which run in terms of millions of dollars; to include them here would unduly increase the average for the more general run of large banks.

Reasons for Not Making Intermediate Loans

Following this question the banks were asked: "In case your bank has no loans of two years or longer what are the reasons?" This question was answered on 69.6% of the questionnaires included in the tabulation. The following percentages represent the number of times the indicated reasons were specified by this group:

Reasons specified in the questionnaire:	
Not eligible for rediscount	23.6%
Undue risk	46.4%
Rates too low to cover risk	6.4%
Other frequently volunteered reasons:	
No demand or requests	21.0%
Long-term needs met by renewals	7.7%

In a number of cases more than one of the above reasons were given by the responding banks so that the percentages overlap. The answers listed as "no demand" include those both of banks reporting no demand at all and no demand from "good borrowers." These banks frequently stated that they would be willing to grant intermediate term loans if a legitimate demand existed for them in their communities. This implies that the number of banks reporting, under the question preceding this one, that they had loans of this type outstanding would be substantially increased if they had a more widespread demand for them.

A number of banks stated that the state banking law, the regulations of the banking department or criticisms of bank examiners prevented the making of term loans. Various other reasons given by one or more banks were as follows:

Shorter loans preferred.
Small bank should keep as liquid as possible.
All of our notes are made 90 days or less. We feel by using this plan we can at all times keep each person's affairs in front of us. We also request credit statements about every six months, some more often.
We make no real estate loans and our other loans are worked out on a basis no longer than 18 months.
Our rule is to make one year loans.
Mostly agriculture and livestock in this section. Not customary to handle in this manner.
Too long a term for commercial bank.
A great deal of such borrowing goes to United States Government.
Character of trade area will not warrant long loans.
Eighteen months is the longest time we can accept.
Our loan committee do not believe such loans are suitable for a commercial bank.
Bank too small to grant two year loans.
All our loans are crop and cattle loans.
If borrower wants money for long period there are other agencies to serve him.
Not bank policy.
Dairy and general farming has not yet improved to the point of making long-term loans advisable.
Highly industrial community. Diversification of loans is difficult and of necessity must be short-term.
Does not meet our idea of loaning out of a bank.
Too hazardous on open notes.
Do not think bank funds should be loaned for period of years.
Being principally livestock and farm operation loans, ours are season to season loans.
This is a small rural community with very few people sufficiently well established to entitle them to unsecured notes running over two years.
Too many contingencies may arise.
This bank serves dairying section. Farmers receive monthly checks.
Parties in this vicinity shouldn't look so far ahead.
Cannot keep in touch with changing conditions.
Not good policy in territory.
Risk too great for long-time loans made in a mining town. Population is more or less transient. Values fluctuate quickly.
Do not believe long loans are sound policy.
We want to keep better check on property.
Change in economic conditions makes long loans undesirable.
Seven years drought here up to this year. No security. No ability to repay.
Farmers insolvent. Government agencies making this type of loan which will never be collected. We can't afford to do it.
Ranch loans need attention oftener.
We make most loans to farmers to be repaid out of crops.
Conditions are too uncertain. (*Continued on page* 42)

S. E. C. Activities in Bankruptcies

How Commission Operates Under Chapter 10

By Samuel O. Clark, Jr., Director, Reorganization Division
Securities and Exchange Commission

SECTION Chapter X of the Bankruptcy Act, as amended, which replaced the former Section 77B of that Act, imposed certain duties in corporate reorganizations upon the Securities and Exchange Commission. As an aid to the Commission in the performance of these duties, it was provided in Section 265a of Chapter X that the Clerks of the various Federal District Courts shall transmit to the Commission copies of all petitions for reorganization filed under Chapter X, as well as copies of various other specified documents filed in the proceedings. Thus the Commission possesses files or records of the more important papers in all Chapter X cases and is in a position to make available to many potential users information otherwise practically inaccessible to them. The following analysis of corporate reorganizations, derived from these data, covers the period — somewhat over six months—from September 22, 1938, the date that Chapter X became fully effective, up to and including March 31, 1939.

The Commission's Policy

"As a general matter, the Commission's participation seems appropriate only if the public interest is involved. This would normally occur where there are one or more security issues of the debtor outstanding in the hands of the public. From the practical viewpoint, however, the Commission does not participate as a matter of course in cases where the investor interest is small or nominal. Accordingly, the principal question for the Commission's determination in a Chapter X proceeding, is first, whether the case involves a public interest, and second, whether that interest is sufficient standing alone or with other pertinent facts and circumstances to warrant the Commission's participation."

The amendatory Act which included the present Chapter X was signed by the President on June 22, 1938, but by its terms did not become fully effective until three months thereafter, i.e., September 22, 1938. During the period from September 22, 1938, through March 31, 1939, reorganization proceedings under Chapter X were instituted by or against a total of 251 companies.

Of the 251 companies brought under Chapter X during the period, one, a very large public utility holding company, was stated by the company to have unconsolidated assets of about $450,000,000. The proceedings against this company were instituted by creditors during November, 1938. In January, 1939, the proceedings were dismissed by the court on the ground that the petition had not been filed in good faith. This case has been eliminated from all aggregates in this analysis. The total assets of the remaining 250 companies amounted to $349,013,032 (book value) as against a corresponding total indebtedness of $222,584,895.

Of the 250 companies, the largest number, 83, were engaged in manufacturing. Real estate companies were next with 64, while service companies and merchandising concerns accounted for an additional 38 and 33 respectively. Measured by aggregate assets, however, eight transportation and communication companies led with aggregate assets of about $129,000,000, or 37% of the total, followed closely by the 83 manufacturing concerns whose assets totaled approximately $126,300,000, 36% of the total for all companies. The third largest figure was shown by the 64 real estate companies whose aggregate assets of $60,100,000 accounted for 17% of the total. Measured by aggregate indebtedness the order was: transportation and communication companies 35%, manufacturing companies 27% and real estate companies 25% of the total indebtedness for all companies.

An analysis has been made showing the companies according to ten main divisions of the industry, and showing for each industry the number of companies, the total assets and the total indebtedness.

Geographical Distribution

1. By States: The principal assets of the 250 companies were stated to be located in 32 different states, the District of Columbia, and one territorial possession of the United States. The greatest concentrations of assets were found in Illinois and New York. Forty-three companies whose principal assets were situated in Illinois showed aggregate assets of $141,200,000, or 40% of the total for all 250 companies, while 28 companies with principal assets in New York had aggregate assets of about $102,800,000, or 29% of the total for all companies. The total for Illinois included one company with alleged assets of $126,000,000. Similarly, the total for New York

was swelled by one company with alleged assets of $86,600,000. The distribution of assets according to the location of the principal assets of the 250 companies is presented in another compilation.

Grouping the assets and indebtedness in accordance with the location of the principal place of business of the companies reveals a very similar situation, large concentrations being found in Illinois and New York. Forty-three companies which had their principal place of business in Illinois accounted for $141,200,000 and 28 companies which had their principal place of business in New York made up $102,600,000, 40% and 29% respectively, of the combined assets of all companies. And of a total indebtedness of about $222,600,000 for all companies, $85,600,000 or 38% was accounted for by the 43 companies which had their principal place of business in Illinois, and $52,800,000 or 24% by the 28 companies which had their principal place of business in New York.

Federal Judicial Districts

The Federal Court of the Northern District of Illinois handled the great bulk of cases in that state and led all districts in the country in number of companies, total assets and total indebtedness. Petitions were filed in that district for 35 companies with combined assets of approximately $140,200,000, or 40% of the assets in all Federal Judicial Districts and aggregate indebtedness of about $84,700,000, 38% of the indebtedness of all 250 companies. The Southern District of New York accounted for only ten Chapter X cases, but these companies showed total assets of $96,700,000 and total indebtedness of $48,600,000, fully 28% and 22% of the respective totals for all 250 companies, thus giving this district second rank in this respect. In number of cases, the District of New Jersey was second to the Northern District of Illinois with 18, while the District of Massachusetts, the Eastern District of Pennsylvania and the Eastern District of Wisconsin followed with 15, 12 and 12 respectively. The number of companies, their total assets and their total indebtedness are given in Table D for each Federal Judicial District in which proceedings under Chapter X were instituted.

Amount of Indebtedness

In a majority of the 250 cases, the stated indebtedness of the debtor was less than $250,000, 173 falling into that category. These cases represented 69% of the total number but involved only 6% of the total indebtedness of all companies. Thirty-two companies had indebtedness of at least $250,000, but less than $500,000 and 19 firms at least $500,000, but less than $1,000,000. The 173 companies of the first group showed an aggregate indebtedness of about $13,800,000 and those in the other two $11,700,000 and $14,400,000, respectively. However, the combined indebtedness of the nine companies with indebtedness of at least $3,000,000 amounted to $156,300,000, or 70% of the total indebtedness of all 250 companies. These grouping are shown in Table E.

In 203 of the total of 250 companies, the proceedings were instituted by the voluntary petition of the debtor corporation; in 38 cases the proceedings were commenced by the involuntary petition of creditors; and in the remaining 9 cases the petitions were filed by indenture trustees.

Commission Procedure in Chapter X Cases

I want to mention briefly the facilities which the Commission has established for fulfilling its responsibilities under the Chandler Act. The work is handled by the recently created Reorganization Division, consisting at the present time of 49 lawyers, 10 accountants and 15 financial analysts. The great majority of our lawyers have had reorganization experience prior to joining the Reorganization Division, either as practicing attorneys or as members of the Commission's Protective Committee Study. Many of our accountants and analysts likewise possess years of reorganization experience.

To serve the convenience of the courts and the parties to reorganization cases, the Commission to a large extent has decentralized its work under the Chandler Act. Reorganization units have been established in all but one of the Commission's nine regional offices.

Question of Policy

An important question of policy, which confronted the Commission as soon as the Act became effective, was the type of reorganization case in which it should move to participate. In this connection, we have considered that Congress did not intend the Commission to participate in all Chapter X proceedings. In the first place, with cases being filed at a rate of about 500 a year, the administrative burden would be intolerable. In the second place, many of the cases are small, involving only business or bank creditors and a few stockholders. In fact, many of the cases previously filed under Section 77B belong under Chapter XI, not Chapter X.

As a general matter, the Commission's participation seems appropriate only if the public interest is involved. This would normally occur where there are one or more security issues of the debtor outstanding in the hands of the public. From the practical viewpoint, however, the Commission does not participate as a matter of course in cases where the investor interest is small or nominal. Accordingly, the principal question for the Commission's determination in a Chapter X proceeding, is first, whether the case involves a public interest, and second, whether that interest is sufficient standing alone or with other pertinent facts and circumstances to warrant the Commission's participation.

Size Is Not Criterion

Assuming a public interest is present, the Commission, as a rough test, has indicated that a case involving $250,000 or more face or nominal value securities in the hands of the public warrants our participation. But mere size is not the only criterion. We are now participating in a few cases where the investor interest does not aggregate that amount. W feel that even in the smaller cases our participation is warranted where the public investors lack adequate representation, where an unfair plan has been or is about to be proposed, where the proceedings are being conducted contrary to the provisions of the Chandler Act or where other similar circumstances appear. The fact, however, that in each of the cases where we have appeared as a party, one or more issues of the debtors' securities are publicly held, supports the emphasis we have placed upon the existence of some public interest as a usual condition to our participation.

Once the Commission becomes a party to a Chapter X proceeding, its activities may be as extensive and as varied as the scope of the issues arising in the reorganization. At the inception of a case we may be called upon to express

our views upon the approval of the petition; at its termination upon the allowance of fees and expenses.

Objected to Trustee

In one case we have objected to the retention in office of the trustee and his attorney at the hearing specified in Sections 161 and 162 of the Act. In that case we claimed that neither the trustee nor his attorney met the standards of disinterestedness specified in Section 158 (4) which provides that the trustee and his attorney shall not be deemed disinterested if,

> "it appears that he has, by reason of any other direct or indirect relationship to, connection with, or interest in the debtor or such underwriter, or for any reason an interest materially adverse to the interests of any class of creditors or stockholders."

The court, however, overruled our objection. Speaking generally on the matter of the qualifications of the trustee and his attorney, we believe that their objectivity is so vital to a proper functioning of important parts of the Chandler Act machinery that it is our duty to call to the court's attention any attempted whittling away of the standards so clearly specified in Section 158 of the Act.

McKesson & Robbins Case

In another case, that of McKesson & Robbins, Inc., the Commission called the court's attention to some phases of the Chapter X—Chapter XI relationship. Among the issues raised in that case by the answers filed to the petition was the question whether the petition was properly filed under Chapter X rather than under Chapter XI. The Commission supported the view that the petition was properly filed under Chapter X, for the reason, among others, that it was impossible to determine at the time the petition was filed whether or not the reorganization plan would or would not affect the debtor's secured debt and stock. Judge Coxe from the bench ruled that the petition was properly filed under Chapter X. We have been notified of an appeal in which the correctness of this ruling is involved.

The Commission, in a number of cases in which it is appearing as a party, has adddressed itself to the matters of fairness and feasibility of plans of reorganization.

In the matter of fairness, the guiding principles are, of course, to be found in the decisions of the courts, in cases under Chapter X, under 77B, and in equity cases.

I am a firm believer in the so-called "strict priority" doctrine of the fair plan. I believe the law requires that a plan provide recognition for claims in the order of their priority; that such recognition must approximate full payment in the order of priorities, either in cash or in securities of the reorganized company. I do not regard a plan as fair which preserves participation for equity interests where a valuation of the enterprise clearly indicates no value for such interests. In my opinion valuation for reorganization purposes rests chiefly upon reasonably estimated income, and by and large other methods of valuation have much less relative significance.

To say the same thing in somewhat different terms, I am a believer in the perhaps old-fashioned and conservative doctrine that bondholders are entitled to rely upon the promises of payment made to them, and that stockholders are supposed to bear the brunt of the risks run by a business enterprise. Some of the reorganization plans of the last decade might have led the innocent observer to believe that the contrary was true. The courts have now, as I read the cases, swung the pendulum back to proper standards of fairness, standards consistent with the nature of the distinction between the different types of corporate securities, and with the representations, promises, and conceptions underlying them.

Feasibility of Reorganization Plans

Section 221(2) establishes as one of the standards which must be met, if the plan is to be confirmed, the requirement that the plan must be feasible, as well as fair and equitable. That requirement establishes no new theory; yet frequently debtors have emerged from reorganization without adequate provision for working capital, and with fixed charges and capitalizations bearing no reasonable relationship to the needs and earning capacities of the enterprises.

It seems to me that there are at least three conditions which must be met with respect to every reorganization in order to arrive at a feasible plan: (1) the debtor must emerge with adequate working capital; (2) fixed charges must, of course, be less than reasonably anticipated earnings; and (3) the capital structure must bear a fair relationship to the value of the assets with some assurance that another reorganization will not be required at the maturity of the funded debt.

The Commission has found it necessary to object to plans which did not meet those standards. The failure to provide a necessary minimum of working capital has been brought to the attention of the courts in several cases Objections have been made to provisions for fixed charges founded on hope rather than fact. In one of these cases interest and principal payments on the first mortgage bonds held by a single holder were to be twice reasonably anticipated earnings available therefor. In other cases funded debt has been proposed which bore no reasonable relationship to property values and it seemed clear that at the maturity of the bonds the debtor would have the same debt structure and be faced again with the same problems which had caused the current reorganization. In one such instance, the Commission objected to a reorganization plan which provided in essence merely for a refunding of the outstanding securities on a par for par basis, in spite of the fact that those securities were four or five times the reasonable value of the property and that fixed charges apparently would exceed reasonably anticipated income, calculated on a sound basis.

It is, of course, impossible to describe a pattern with respect to feasibility into which all cases should fall. Working capital requirements, fixed charges and capitalizations will differ widely from case to case; yet in any instance, this much can be said: after the plan is confirmed the corporation should be able to operate as a going concern free from those financial defects which led to the current reorganization.

During the debates on the Chandler Bill one of the principal criticisms of the proposal for the Commission's participation in reorganizations was the delay which would result. I am happy to say that that fear has proved groundless. In all cases in which we are participating we have been prepared to go forward on all issues which concerned us, including hearings on reorganization plans, at the time fixed by the judge for the consideration of those issues.

Bad Debt Loss Survey -- III

General Summary of Credit Loss Study

By Wilford L. White, Chief, Marketing Research Division, Department of Commerce

In concluding the discussion of bad debt losses of manufacturers and wholesalers in this issue of Credit and Financial Management, five topics will be presented, four of which will be supported by figures which can be applied to any individual business firm.

High, Median, and Low Losses

The proportions of bad debt losses to credit sales of wholesalers and manufacturers by kinds of business were given in the first article. They have attracted a great deal of attention and have many uses. In this article, in tables 1 and 2, will be found figures which will give a median average loss and a range on either side of this median for each industry and each wholesale trade. These figures can be used by the individual credit manager as a basis of check against his own figures. The median loss is the figure at the midpoint of an array of individual firm losses listed in order of size. The "low" and the "high" figures found in tables 1 and 2 have been selected by counting half way from the median to the lowest figure in the listing and halfway from the median to the highest figure in the listing. In brief, the "low", median, and "high" points in each listing divide the array of individual cases into four equal parts. In this manner, the lowest fourth and the highest fourth of the cases are discarded, thus eliminating the extreme and unusual cases. Any bad debt loss figure which comes within this range is reasonably good, including as it does, a typical group of firms representing varying management viewpoints of credit extension.

For both wholesalers and manufacturers, the range varies greatly from trade to trade. For some, the median approaches the low figure. In other instances the opposite is true. There is a tendency for the losses to average lower for the industrial goods groups and for the spread to narrow. However, such is not consistently the case.

Among the wholesale groups, the median was lower and the range was narrower for those companies located in the industrial portion of the country, east of the Mississippi River, and north of the Ohio, with houses in the Mountain region averaging the highest losses.

Number of Accounts Written off as Bad

In requesting the number of accounts written off as bad during 1937 and 1938, no effort was made to specify or determine the age of the accounts at the time they were written off. While such information would have been of value, the houses could not have given it for the simple reason that a decision to write off a particular account is an individual matter and not one of house or trade policy. Without such information, however, it is impossible to determine anything about cause and effect.

According to tables 3 and 4, wholesalers wrote off 3.19 percent of their accounts (by number, not value) in 1938; while manufacturers were writing off 2.15 percent of their accounts during the same period. As has been so consistently true of the figures in this study, wholesalers report higher ratios than manufacturers. Changes between the two years are of minor importance and there are practically no instances where the shift was from a very high or a very low ratio to the opposite. Differences between the trades among both wholesalers and manufacturers, however, are great, particularly for the former.

Average Credit Sales Per Account

As a by-product of this survey of losses, information is available on average credit sales per account. These data are helpful in that they make it possible for an individual firm to compare its average with that of the trade as a whole. On the average, there should be an indirect relationship between the size of account and the cost of servicing it, both from the point of view of credit costs and total operating costs.

As might be expected, the average volume of credit sales per manufacturer account is much larger than that for the wholesalers, $1,024 as compared with $775 (for 1938). As might be expected also, the average declined from 1937 to 1938 for both wholesalers and manufacturers. The only exceptions noted are meat distributors and manufacturers of pharmaceuticals.

Manufacturer and wholesaler groups selling entirely or primarily to industrial buyers show the largest average sales per account. Relative competition between different trades is eloquently indicated by the fact that among the manufacturers, for example, average credit sales range from $2,597 for non-ferrous metals and their products to $170 for printing, publishing, and allied industries. An even greater range holds for wholesalers.

Average Number of Accounts per Firm

One remarkable fact about the number of accounts per firm is that the count remained practically the same for manufacturers and exactly the same for wholesalers for both years. Apparently a new account was secured for approximately every account written off in 1938. Space

does not permit a detailed report here, but it would be worth the time of each credit manager to study the relationship of the number of accounts, their average size and value, and the bad debt loss condition of his industry from this series of tables and compare the results with similar figures from his own organization. Too often attention is held to more detailed information while the broader aspects of good management go begging.

Some Questions Raised by the Study

These data in themselves do not provide final answers to a number of the questions which can be raised. There follow, however, certain points which are presented for review.

1. What are the total bad debt losses in terms of dollars? We do not know the exact amount because, on the basis of available material, we cannot estimate such a figure for manufacturing. Our very rough 1938 estimate, however, is $65,000,000 (adjusted) for wholesalers. To some, .37 of one percent looks insignificant. To everyone, $65,000,000 looks large. Retail open account and installment sales losses, when available, will make the above figure look moderate. The total loss for bad debts for American industry is, however, probably running something over $200,000,000 annually.

2. Do manufacturers and wholesalers in the same industry or trade suffer the same proportion of losses? Quite frequently, but not necessarily. Both the packers and wholesalers of meat and related items report small losses. The same holds for the petroleum industry, boots and shoes, and clothing. But the manufacturers of furniture, for example, show a relatively high loss while the wholesalers in the same line report a relatively low one. The opposite, moreover, holds for jewelry, although it must be kept in mind that these classifications are by no means identical for manufacturers and wholesalers.

3. Do manufacturers and distributors in the heavy industries report smaller bad debt losses than those handling consumer goods? The answer is "No." Industries and trades classified as heavy and light report both large and small bad debt losses. Manufacturers of food products report losses of less than average, while those of machinery, not including transportation equipment, report a figure almost twice the average. Similar examples can be found among the wholesalers with groceries and heavy hardware.

4. Do large or small manufacturers and distributors report the lowest bad debt losses? Classification by dollar volume of sales, 1938, produces one of the most clear-cut breakdowns which we have yet discovered. The answer for both manufacturers and wholesalers is that the proportion of bad debt losses to dollar credit sales *decreases* as the volume of sales *increases*. In other words, the small firm suffers the largest proportionate loss. Losses of the smaller wholesale houses ran over 1.40 percent, while those of the largest volume group were less than 0.30 of one percent for 1938.

5. Another measure of size is the average credit sales per customer account. Do the companies with the highest average credit sales per account report the lowest average bad debt losses? For both manufacturers and wholesalers, we find that they do. The firms with the highest average credit sales per customer account report the lowest average losses per company for both years. Another measure of similar significance, if easily available, would be size of average order. Firms with the largest average orders (credit sales) should show the lowest loss ratios. The Bureau, however, has no data on this subject.

6. Do the companies with the largest number of credit accounts report the lowest bad debt losses? The answer is "No." In fact, we find that the number of accounts reported by either wholesalers or manufacturers has no bearing upon the amount of losses. Both groups were thrown into five classes each, with the result that the 1938 average losses of the manufacturer groups ranged from .18 to .21 of one percent, with one exception, which was .30 of one percent. For the wholesalers, the range was even less; namely, from .37 to .39 of one percent. It would appear to be the size of the account rather than the number of accounts which is an important consideration here.

7. Do average losses vary from one part of the country to another? For wholesalers, "Yes." The northeastern industrial section of the United States (New England, Middle Atlantic, East North Central, and West North Central) using the Census geographic regions as a basis of classification, shows that all averages are under 0.40 of one percent of total credit sales. The West North Central area reported the lowest figures for both 1937 and 1938 (0.24 and 0.27 of one percent respectively). The entire South and West (South Atlantic, East South Central, West South Central, Mountain, and Pacific) reported averages of 0.40 of one percent or more, with the Mountain region reporting the highest (0.61 of one percent for 1937 and 0.56 of one percent for 1938). Although the figures vary for the different trades when classified individually, the same conclusions hold. Food is one exception. Wholesale grocery houses in New England report the highest losses for both years.

8. Do bad debt losses fluctuate in inverse ratio to business conditions; that is, do they increase as business volume falls off and decrease proportionately with the improvement of business? Although we do not have sufficient historical data to prove or disprove this statement, such information as we do have tends to prove it true. But, the proportionate increase in losses in 1938, a relatively poor year, from 1937, a relatively good year, was surprisingly small. In fact, out of 29 wholesale trades, 14 showed relative declines in reported losses from 1937 to 1938, while 14 others were showing the reverse. One reported the same figure for both years. The same mixed trend was also reported by the manufacturers.

(*Continued on p.* 40)

Reprints Available—

—about August 10th of the three articles dealing with the Bad Debt Loss Survey. If you wish these reprints for "working material" just enclose 10 cents in letter postage to Credit and Financial Management, 1 Park Ave., N. Y. C.

TABLE 1—Median Bad Debt Loss Percentages and Interquartile Range of Manufacturers by Industry, 1937 and 1938

Industry	No. of Firms	1937			1938		
		Median	High	Low	Median	High	Low
Foods and kindred products							
Confectionery	165	0.29	0.52	0.13	0.29	0.60	0.16
Flour, cereals, and other miscellaneous mill products	22	0.11	0.33	0.05	0.27	0.50	0.13
Meats and meat products	25	0.13	0.20	0.07	0.14	0.20	0.09
Distilled liquors	—	—	—	—	—	—	—
Malt liquors	12	0.28	0.39	0.15	0.28	0.51	0.10
Wines	18	0.49	1.02	0.14	0.42	1.29	0.27
Other food products	97	0.18	0.46	0.04	0.25	0.54	0.06
Textiles and their products							
Clothing, men's, except hats	31	0.22	0.39	0.05	0.38	0.58	0.17
Clothing, women's, except millinery	23	0.31	0.91	0.22	0.50	0.92	0.18
Knit goods	11	0.12	0.23	0.04	0.24	0.45	0.08
Other textile products	65	0.11	0.35	0.03	0.17	0.54	0.06
Forest products							
Furniture	45	0.23	0.40	0.11	0.38	0.57	0.21
Lumber, timber, etc.	35	0.31	0.71	0.07	0.22	0.62	0.03
Paper and allied products							
Paper, writing, book, etc	22	0.19	0.30	0.05	0.21	0.49	0.02
Wax paper	17	0.38	0.76	0.23	0.31	0.44	0.09
Paper boxes and other paper products	56	0.16	0.38	0.05	0.15	0.26	0.06
Printing, publishing, and allied industries	76	0.43	0.99	0.20	0.33	0.64	0.12
Chemicals and allied products							
Pharmaceuticals and proprietary medicines	27	0.37	0.76	0.09	0.41	0.60	0.17
Paints and varnishes	64	0.47	1.14	0.27	0.52	1.06	0.29
Other chemical products	37	0.25	0.50	0.11	0.30	0.48	0.10
Petroleum	21	0.09	0.22	0.02	0.22	0.27	0.09
Rubber products	12	0.19	0.57	0.03	0.15	0.23	0.12
Leather and its products							
Boots and shoes	34	0.15	0.33	0.06	0.18	0.49	0.10
Leather; tanned, curried and finished	35	0.09	0.25	0.04	0.13	0.26	0.02
Other leather products	25	0.08	0.36	0.03	0.27	0.45	0.10
Stone, clay and glass products	56	0.21	0.35	0.07	0.32	0.70	0.07
Iron and steel and their products							
Hardware	15	0.12	0.22	0.07	0.12	0.24	0.02
Stoves, ranges, steam heating apparatus	19	0.16	1.06	0.09	0.26	0.85	0.04
Other iron and steel products	129	0.09	0.25	0.02	0.10	0.21	0.03
Non-ferrous metals and their products							
Jewelry and jewelers' supplies	27	0.21	0.54	0.08	0.40	0.51	0.13
Other non-ferrous metals	31	0.11	0.31	0.05	0.09	0.36	0.05
Machinery, not including transportation equipment							
Electrical machinery, apparatus and supplies	90	0.12	0.44	0.03	0.12	0.31	0.03
Other machinery, apparatus and supplies	128	0.14	0.58	0.03	0.13	0.44	0.02
Motor-vehicle parts	43	0.17	0.32	0.05	0.17	0.52	0.03
Miscellaneous industries	71	0.20	0.51	0.08	0.23	0.50	0.10
U. S. Total	1,590	0.19	0.48	0.06	0.22	0.50	0.07

TABLE 4—Average Number and Size of Accounts and Proportion of Total Accounts Written Off By Wholesalers, 1937 and 1938

Kind of Business	Number of Reports	Total Number of Accounts		Average Credit Sales Per Account		Average Number of Accounts Per Firm		Percent of Total Accounts Written Off	
		1937	1938	1937	1938	1937	1938	1937	1938
Automotive supplies	154	103,907	105,005	$287	$264	675	682	4.89	7.34
Chemicals	14	13,580	13,755	933	707	970	983	2.76	2.45
Paints and varnishes	25	35,857	33,446	548	507	1,434	1,338	4.96	5.82
Clothing and furnishings, except shoes	25	38,470	38,481	557	452	1,539	1,539	1.64	1.77
Shoes and other footwear	34	128,203	130,120	895	725	3,771	3,827	1.54	1.72
Coal	13	7,140	5,994	5,680	5,533	549	461	1.92	2.20
Drugs and drug sundries	78	78,551	80,722	1,315	1,240	1,007	1,035	2.81	3.02
Dry goods	98	208,124	203,293	652	566	2,124	2,074	1.49	1.65
Electrical goods	348	222,813	219,391	1,395	1,079	546	531	2.52	2.53
Farm products (consumer goods)	54	49,111	48,692	1,055	944	909	902	3.60	3.19
Farm supplies	6	14,645	14,675	510	387	2,441	2,446	1.32	1.38
Furniture and house furnishings	44	62,655	61,548	754	637	1,424	1,399	2.41	2.33
Groceries and foods, except farm products	611	513,570	518,399	1,234	1,116	841	848	4.03	3.94
Meats and meat products	34	44,840	42,891	1,872	1,915	1,319	1,262	3.19	3.58
Wines and spirituous liquors	15	12,527	13,485	1,599	1,326	835	899	4.60	4.13
General hardware	147	311,582	307,388	682	591	2,120	2,091	2.96	2.87
Heavy hardware	20	24,073	23,870	775	574	1,204	1,194	2.64	2.22
Industrial supplies	121	114,390	113,642	563	419	945	939	2.61	2.63
Plumbing and heating supplies	100	61,304	59,964	719	590	613	600	2.87	1.97
Jewelry and optical goods	37	35,625	35,959	614	485	963	972	1.64	1.71
Lumber and building materials	47	29,905	28,772	918	812	636	612	4.52	4.32
Machinery, equipment and supplies, except electrical	40	45,062	43,170	707	514	1,127	1,079	3.40	3.61
Surgical equipment and supplies	40	35,329	36,517	259	243	883	913	2.77	2.26
Metals	23	40,135	42,479	689	487	1,745	1,847	1.20	0.92
Paper and its products	63	111,905	110,894	395	347	1,776	1,760	2.46	2.32
Petroleum and its products	15	61,323	68,842	1,327	1,070	1,127	1,079	5.15	3.88
Tobacco and its products	142	212,758	218,838	638	615	1,498	1,541	4.28	4.60
Leather and shoe findings	11	21,367	21,350	174	149	1,942	1,941	4.51	4.22
Miscellaneous	44	63,732	63,161	1,250	1,046	1,448	1,435	2.56	2.68
U. S. Total	2,403	2,702,483	2,704,743	$895	$775	1,111	1,111	3.12	3.19

Table 3 will be found on Page 41.

TABLE 2—Median Bad Debt Loss Percentages and Interquartile Range of Wholesalers, By Kind of Business and By Geographic Regions, 1937 and 1938

Kind of Business and Region	No. of Firms	1937			1938		
		Median	High	Low	Median	High	Low
Automotive supplies	154	0.56	1.05	0.40	0.68	1.08	0.39
Midole Atlantic	18	0.83	1.07	0.53	0.76	1.07	0.59
East North Central	39	0.54	1.18	0.45	1.00	1.23	0.83
West North Central	15	0.48	0.72	0.21	0.44	0.72	0.33
Mountain	8	0.40	1.24	0.32	0.46	0.49	0.36
Pacific	59	0.48	1.02	0.31	0.50	0.85	0.31
Chemicals	14	0.26	0.52	0.15	0.30	0.52	0.11
Paints and varnishes	25	0.87	1.39	0.29	0.92	2.08	0.41
East North Central	9	0.83	1.61	0.29	1.08	3.49	0.82
Clothing and furnishings	25	0.16	0.58	0.10	0.31	0.45	0.14
Shoes and other footwear	34	0.41	0.66	0.25	0.71	1.06	0.27
Middle Atlantic	10	0.38	0.50	0.14	0.63	0.78	0.42
Coal	13	0.09	0.15	0.03	0.06	0.11	0.03
Drugs and drug sundries	78	0.36	0.76	0.11	0.34	0.65	0.13
Middle Atlantic	14	0.24	0.71	0.11	0.15	0.59	0.02
East North Central	15	0.28	0.73	0.06	0.23	0.43	0.08
West North Central	9	0.16	0.30	0.14	0.21	0.27	0.18
South Atlantic	14	0.33	0.45	0.11	0.34	0.43	0.16
West South Central	9	0.61	0.63	0.31	0.68	0.95	0.49
Dry goods	98	0.29	0.60	0.18	0.36	0.64	0.21
Middle Atlantic	32	0.23	0.52	0.16	0.31	0.52	0.10
West North Central	9	0.48	0.54	0.18	0.39	0.64	0.26
South Atlantic	9	0.56	0.57	0.31	0.46	0.78	0.33
East South Central	10	0.25	0.69	0.21	0.50	0.83	0.38
West South Central	11	0.21	0.86	0.16	0.34	0.80	0.30
Pacific	15	0.38	0.93	0.23	0.30	0.50	0.08
Electrical goods	274	0.28	0.55	0.12	0.22	0.54	0.11
New England	22	0.31	0.54	0.15	0.15	0.16	0.11
Middle Atlantic	53	0.16	0.70	0.10	0.13	0.67	0.07
East North Central	48	0.12	0.32	0.06	0.33	0.58	0.14
West North Central	29	0.21	0.52	0.17	0.19	0.35	0.08
South Atlantic	36	0.30	0.45	0.22	0.22	0.65	0.11
East South Central	14	0.38	0.55	0.04	0.15	0.51	0.12
West South Central	27	0.25	0.56	0.12	0.23	0.37	0.15
Mountain	10	0.15	0.61	0.15	0.10	0.16	0.10
Pacific	35	0.46	0.72	0.22	0.40	0.80	0.20
Farm products (consumer goods)	54	0.19	0.49	0.11	0.21	0.38	0.09
East North Central	12	0.20	0.96	0.15	0.26	0.42	0.20
Pacific	15	0.12	0.15	0.04	0.18	0.21	0.06
Furniture and house furnishings	44	0.38	0.77	0.16	0.37	0.78	0.22
West North Central	11	0.64	0.95	0.27	0.30	0.73	0.10
Pacific	9	0.37	0.42	0.14	0.60	0.78	0.21
Groceries and foods, except farm products	611	0.27	0.50	0.14	0.30	0.50	0.13
New England	28	0.19	0.51	0.09	0.38	0.81	0.29
Middle Atlantic	83	0.20	0.33	0.10	0.19	0.47	0.11
East North Central	93	0.28	0.50	0.17	0.26	0.50	0.11
West North Central	95	0.19	0.27	0.07	0.31	0.33	0.08
South Atlantic	86	0.38	0.63	0.18	0.33	0.81	0.20
East South Central	51	0.34	0.52	0.15	0.35	0.55	0.18
West South Central	107	0.46	0.55	0.22	0.37	0.54	0.13
Mountain	24	0.63	1.50	0.25	0.47	0.93	0.24
Pacific	44	0.19	0.63	0.12	0.22	0.45	0.09
Meat and meat products	34	0.18	0.37	0.09	0.20	0.45	0.09
East North Central	9	0.20	0.45	0.09	0.20	0.24	0.04
Wines and spirituous liquors	15	0.38	0.57	0.22	0.35	0.59	0.20
General hardware	147	0.41	0.73	0.25	0.42	0.73	0.23
Middle Atlantic	29	0.41	0.69	0.25	0.44	0.56	0.24
East North Central	25	0.37	0.58	0.16	0.39	0.55	0.19
West North Central	12	0.58	0.90	0.25	0.31	0.50	0.25
South Atlantic	25	0.60	1.05	0.30	0.54	0.87	0.34
East South Central	11	0.61	0.89	0.27	0.49	0.83	0.31
West South Central	15	0.33	0.73	0.21	0.46	0.59	0.14
Mountain	8	0.40	0.70	0.36	0.33	0.63	0.24
Pacific	19	0.38	0.51	0.25	0.43	0.58	0.22
Heavy hardware	20	0.57	1.01	0.31	0.37	0.83	0.25
Industrial supplies	121	0.32	0.59	0.11	0.36	0.63	0.14
New England	15	0.15	0.41	0.02	0.15	0.35	0.02
Middle Atlantic	33	0.28	0.53	0.15	0.39	0.58	0.13
East North Central	25	0.20	0.33	0.11	0.25	0.66	0.07
West North Central	13	0.44	0.80	0.20	0.27	0.49	0.19
South Atlantic	11	0.66	1.35	0.34	0.93	1.49	0.23
Pacific	11	0.44	0.62	0.12	0.53	0.91	0.21
Plumbing and heating supplies	100	0.58	0.81	0.34	0.54	0.83	0.31
New England	8	0.79	0.99	0.72	0.74	1.75	0.46
Middle Atlantic	40	0.58	0.66	0.56	0.74	0.74	0.33
East North Central	10	0.43	0.76	0.13	0.34	0.70	0.11
West North Central	12	0.37	0.94	0.20	0.42	0.89	0.24
South Atlantic	17	0.72	0.72	0.72	0.53	0.53	0.53
Pacific	10	0.19	0.84	0.12	0.35	0.83	0.10
Jewelry and optical goods	37	0.54	0.72	0.22	0.73	1.00	0.35
Middle Atlantic	14	0.48	0.69	0.18	0.80	1.40	0.34
East North Central	13	0.54	0.73	0.35	0.54	0.70	0.35
Lumber and building materials	47	0.33	1.03	0.14	0.35	0.71	0.15
Middle Atlantic	9	0.16	2.49	0.09	0.53	1.80	0.36
East North Central	9	0.45	1.23	0.34	0.29	0.61	0.15
Pacific	14	0.24	0.48	0.15	0.22	0.92	0.13
Machinery, equipment and supplies, except electrical	40	0.49	0.85	0.31	0.38	1.06	0.20
Pacific	14	0.51	1.39	0.31	0.47	1.28	0.15
Surgical equipment	40	0.28	0.63	0.11	0.29	0.73	0.08
Metals	23	0.26	0.54	0.09	0.43	0.87	0.19
East North Central	10	0.33	0.88	0.22	0.52	0.93	0.31
Paper and its products	63	0.35	0.61	0.12	0.29	0.60	0.15
Middle Atlantic	12	0.37	0.61	0.26	0.23	0.29	0.15
East North Central	20	0.41	0.65	0.10	0.32	0.65	0.20
Petroleum	15	0.34	0.72	0.26	0.26	0.62	0.22
Tobacco and its products	142	0.21	0.43	0.10	0.23	0.46	0.10
New England	15	0.13	0.30	0.10	0.17	0.20	0.06
Middle Atlantic	34	0.21	0.38	0.08	0.22	0.35	0.09
East North Central	37	0.25	0.52	0.12	0.27	0.46	0.11
West North Central	10	0.09	0.12	0.02	0.16	0.23	0.05
South Atlantic	10	0.45	0.77	0.21	0.42	0.58	0.28
West South Central	10	0.07	0.26	0.01	0.16	0.78	0.05
Pacific	20	0.36	0.57	0.14	0.41	0.66	0.17
Leather and shoe findings	11	1.00	2.07	0.41	1.00	1.16	0.50
Miscellaneous	44	0.23	0.48	0.06	0.30	0.47	0.13
Middle Atlantic	9	0.05	0.15	0.03	0.25	0.47	0.05
West North Central	13	0.22	0.42	0.13	0.27	0.47	0.23
U. S. Total	2,329	0.33	0.63	0.15	0.33	0.67	0.15

Free Ride for Time Sales?

A Study in Instalment Costs

By Otto C. Lorenz, Financial Adviser, New York City

What are the costs of doing a time sales business? The financial health of accounts in which the credit man is concerned depends on the right answer to that question. Are carrying charges high enough to cover the expense of putting time sales on the merchant's books? Will the carrying charges cover the cost of collection? And what can be done about it?

The credit man,—be he in charge of accounts for a manufacturer, wholesaler, jobber, department store or smaller merchandising unit,—is in a key position to open up roads to good will and greater profits, roads which lead directly and surely to financial good health and desirable accounts. He must know how time sales "behave," how much capital is required to "swing" the time sales and what it costs to do a time sales business and do it right. For his guidance this article concerns itself with a few features of the fundamentally important questions of the "cost behavior" of time sales.

When 6% Is Not 6%

"One-half of one per cent per month on the original unpaid balance," my friend Lou started jotting down some figures on the back of the menu, "what's that the equivalent of?"

"As an interest rate per annum, do you mean?" I asked.

"Yes," he said. "Take when I pay in 12 equal monthly payments."

"And did you mean to say on the *original* unpaid balance?"

"I did." Lou, being an industrial engineer, has a precise mind.

"Well," I said, "one way of figuring it results in an equivalent rate of a little over 11 per cent per annum."

Figures to About 11%

"Isn't that kind of usurious?" Lou asked. Before I could get in an answer he added, "I don't see why I have to pay more than 6 per cent per annum for the use of money and I don't like this business of making eleven per cent look like six, either."

"Keep your shirt on, Lou," I said, "and let me clear up one thing in your mind first. Did you ever stop to think that the lender may be losing money even though you pay him 11 per cent? That you may be catching a free ride at his expense?"

"A free ride? With me paying 11 per cent?" Lou smiled. "How do you figure that out?"

"Here's how," I reached for the menu card and wrote down a few figures too, to make my point plain.

Here's How the Money Goes

Like every other business it costs something to operate this business of lending money to be repaid in monthly instalments, whether the operator is a retail or department store, a wholesaler or manufacturer, a finance company, personal loan institution or a bank. Anyone who accepts credit lends his capital for that purpose and it costs money to do that.

And, contrary to the general notion, the handling of instalment credits is a good deal more expensive than the handling of normal bank loans and credits. Let's look at what it takes to operate an instalment or time sales business:

There are the "Acquisition Costs."

Even where the instalment business is practically dumped into the lap of the operator, as it is dumped into the credit department of a department store for example, it still costs money to "acquire" that business and put it on the books. The credit applicant—the borrower—must be interviewed. His statements must be checked and the amount which he will be permitted to "borrow" must be determined and authorized. Forms must be filled out, various documents and lien instruments must be signed; where a public record is deemed necessary to protect the interests of the "lender" there is the added expense of filing notice and recording of the lien.

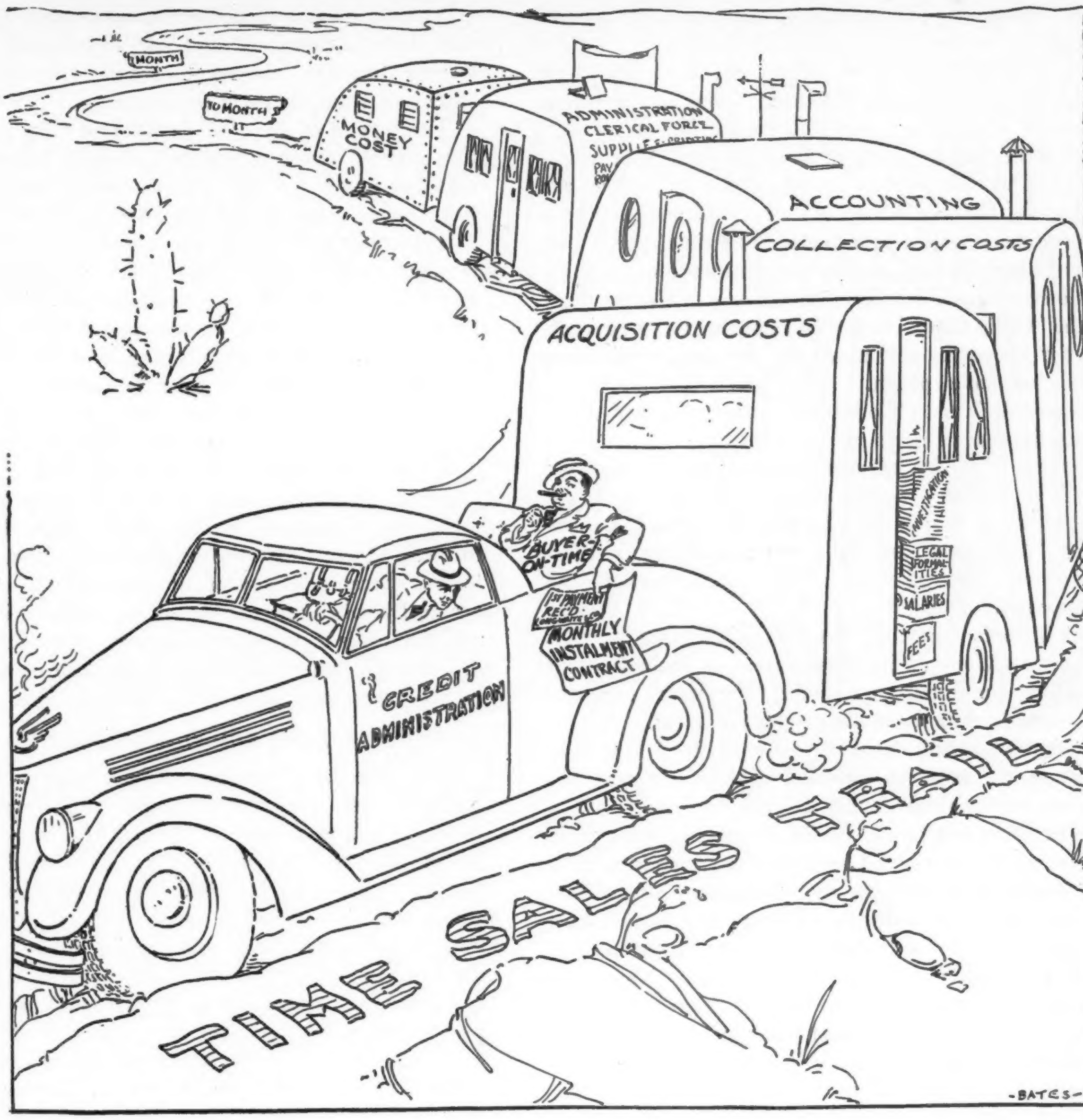
The salaries of the employees who make the investigation and authorize the credit, the telephone calls, the fees paid for credit information, the filing and recording fees, the printing and stationery necessary for the proper documentation and entry of the transaction and the salaries of employees engaged in entering the transaction on the books—all these expenses contribute to that very important item: "The Cost of Acquisition per Transaction."

"Cost of Acquisition" Varies

This "Cost of Acquisition" varies from store to store, from company to company and from territory to territory according to the character of the time sales business, the efficiency of the management and according to local or general business conditions.

One of the lowest "Acquisition Cost" figures we have ever seen was recently developed in some work which we did for a large department store. After giving weight to the general prestige and the average life of

WHO PULLS THE LOAD?



of the company, we estimated that the "Acquisition Cost per Transaction" for this department store was 47 cents.

But such a low cost is phenomenal and can be approached only where the cost of creating time sales is carried elsewhere and the time sales "paper" itself flows automatically to the collection or credit department.

Where time sales "paper" must be solicited, the "Acquisition Cost per Transaction" immediately runs up. There is the cost of advertising, the cost of maintaining branch offices for the solicitation of new business and the expense of performing certain services which are essential to the creation of volume.

The automobile finance business, for example, leans very heavily on the "floor-planning" or "wholesale" facilities which it offers the dealer. When the dealer orders a shipment of cars, the finance company steps in and pays the factory's bill, and the dealer repays the finance company as the cars are sold. The expense of "floor-planning" a dealer is usually far in excess of the amount of interest charged by the finance company for this service. "Floor-planning" is done in order to assure a flow of the profitable "retail time paper" from the dealer to the finance company and may—to some extent—be considered a part of the "Acquisition Cost per Transaction" of the retail paper.

Acquisition and Collection Costs

"Acquisition Costs per Transaction" run from the 47 cents which we have seen for the department store to figures very substantially higher. They vary from company to company according to the character of the business and the efficiency of the management. They are dependent upon local conditions from territory to territory and upon the trend of business.

Acquisition Costs may run up to 75 cents, a dollar, or very much higher according to the *character* of the time sales business. In certain capably operated finance companies this cost lies between two and three dollars. We have seen personal loan operations where the acquisition cost lies in the neighborhood of four dollars.

And then there is the job of collecting this paper. That, too, costs money.

The salaries of the cashiers, the bookkeeping department, the collectors, the cost of printing and stationery, of legal work, the expense of carrying delinquent accounts, of making repossessions—all this and more too

adds up and forms part of the "Collection Cost per Instalment."

In one department store we estimated roughly that the "Collection Costs per Instalment" was in the neighborhood of 10 cents—a very low figure indeed in comparison with finance company and personal loan transactions. The difference is accounted for in part by the fact that finance and personal loan companies exercise a far closer check on the behavior of their time sales paper. The tracing of "skips," a more experienced and expensive collection personnel, heavier legal expense and other items raise the "Collection Cost per Instalment" for these operations far above the cost noted for the department store of which we have spoken.

"Acquisition" and "Collection" costs are "per item" expenses figured on averages.

But there is another expense group of equal importance —the "Per Dollar" expense group. Administrative expense, where it cannot be allocated to either "Acquisition" or "Collection" cost, falls into this category. Likewise do rent, depreciation, certain other reserves and fixed expenses.

Most important of the "Per Dollar" expense items is the "Cost of Money." In certain areas of business it far overshadows the importance of the "Per Item" expenses.

An example will make this statement clear.

Department stores generally figure their carrying charges on the basis of one-half of one per cent per month on the original unpaid balance.

The carrying charge on a $300 transaction payable in eighteen equal monthly instalments is therefore $27. The "Acquisition Cost" for the transaction in the store which we have mentioned is 47 cents and it will cost that store $1.80 to collect the eighteen instalments,—a total of $2.27 for the "Per Item" expenses. Now, if it were necessary and possible to borrow money from the bank at 3 per cent per annum, then it would cost the department store $7.13 in bank interest charges to carry this deal. The "Per Dollar" cost of money alone in this case is over three times as much as the "Per Item" cost of acquisition and collection.

A Free Ride for Mr. "Buys-it-on-Time"

In the foregoing example there is apparently a nice margin of profit for the department store. The store gets $27 from Mr. "Buys-it-on-Time."

It costs the store a total of $9.40 to acquire and collect the transaction and to pay for the use of bank money at the rate of 3 per cent per annum. That leaves a profit for the store of $17.60.

But not all of the store's transactions are as profitable as this one by any manner of means. Not even though a rate of one-half of one per cent per month on the original unpaid balance is used throughout.

For example, the carrying charge on a $20 four month deal is 40 cents. Here again the "Acquisition Cost" for the deal is 47 cents and it will cost the store 40 cents to "collect" the four instalments—a total "Per Item" expense of 87 cents. If bank money at the rate of 3 per cent per annum is used by the store to "swing" this deal the cost of money will amount to 13 cents more,—or a total expense of $1.00 to give the customer the use of $20 of the department store's capital for a period of four months.

Now it must be emphasized once more at this point that these "Acquisition Cost per Transaction" and "Collection Cost per Instalment" figures vary from store to store and from territory to territory.

The figures of 47 cents Acquisition Cost per Transaction and 10 cents Collection Cost per Instalment were obtained in one of the most efficiently operated department stores we have had the opportunity to survey.

The credit man can do much to increase the good will between manufacturer, wholesaler or jobber and the merchant or between the merchant and his customer if he will be instrumental in bringing to light the need for ascertaining the true "Acquisition Cost per Transaction" and the "Collection Cost per Instalment."

In the time sales business the expense of selling the goods themselves is not the only item of consideration. The credit man can do much to emphasize the need for knowing accurately what it cost the merchant to put those time sales on his books—what it costs the merchant to collect those time sales accounts after they *are* on his books. Because, as any credit man will tell us, no goods are really sold until the money for them is in the till—and if a loss is incurred in the process of getting the money into the till, whatever initial profit there may have been in the transaction is in peril of being lost.

Really Sells "Use of Money"

The time sales business is more than a business of selling goods. It is also a business of *selling the use of somebody's money over a period of time*—a function which involves expenses which may far exceed the normal margin of profit on the time sale—a function for which ample provision should be made in the shape of carrying charges sufficiently large to cover the expenses of putting the business on the books, collecting the amounts due and paying, at a fair rate of interest, for the use of one's own or borrowed capital to swing the time sales business.

Furthermore the credit man must know that there are certain expenses which are common to the time sales business no matter where it may be found—expenses which require the same general set-up whether the operation is taking place in a small retail store, a department store, a dealer or distributor operation, a finance or personal loan company, or a bank. There are always the "Acquisition Costs" involving credit investigation and putting the transaction on the books, the "Collection Costs" and the "Cost of Money".

Window-Dressing at 6%

And that brings us to a very serious consideration—the adequacy of the one-half of one percent per month rate on the original unpaid balance.

Let's see for a moment where this rate came from:

It is obviously an attempt to make the purchaser think he is going to pay ordinary bank rates for his money. The fact that this kind of 6 per cent per annum is not the same as the bank's 6 per cent per annum has long since dawned on the purchaser.

And the use of such window-dressed terms as the "one-half of one per cent per month," the "6 Per Cent Plan" and others has been condemned by various institutions as well as by the public. They serve no good purpose from a practical point of view and—again from a practical point of view—they fail to cover the expense of operating an instalment credit (*Continued on page* 39)

Cleaning Up Old Accounts

Proper System Needed for Intensive Follow-Up

Fred E. Kunkel, Special Writer, Washington, D. C.

Not everybody can sit down and write collection letters which collect, but anybody can use tried and proven plans which have brought home the bacon for others and which may help you wipe out some of your old overdue accounts before placing them in suit or charging them off to profit and loss.

Since every extension of credit involves its necessary percentage of risks, I have found it necessary to inaugurate and keep in good running order a good plan for collecting overdue coin. In fact, a successful collection policy is a paramount necessity if you want to keep old accounts cleaned up.

I used to rack my brains and scratch my head for just the right kind of an entering wedge into the customer's pocketbook, and so one day when I was hard pressed for ideas, I got together everything I had ever used in the way of catching old accounts on the wing and bringing them down to earth. I sifted this material until I had what I conceived to be the best plans for winning results.

Seeks to "Draw Fire"

Each step in my collection chain is aimed at drawing fire from the debtor, either in the form of a promise to pay soon, or a partial payment, or some tangible evidence on which to predicate the future. The first step in the chain is to make the statement-of-account in triplicate just as soon as it runs behind. Then, instead of waiting fifteen days or a month, I get busy on my delinquents just as regularly as clockwork.

The original of those triplicates is first sent out with a statement typed on it:

> "Haven't you forgotten something? We have certainly missed it at this end—a check to cover this account! How about you?"

If no response comes in ten days, out goes carbon copy No. 2 with another typewritten statement:

> "This is your second reminder. The original reached you ten days ago. What do you say to sending us a check in full or at least on account right away?"

If no response comes to this in another ten days, out goes carbon copy No. 3, with this typewritten statement:

> "This account is becoming mouldy in my ledgers. (An ink blot is put here purposely.) How about a check and starting a clean sheet?"

Any one of this chain of go-getters can generally be counted on for some results, but supposing all three statements are disregarded, which happens in about forty per cent of these cases. It is apparent that more drastic action is required when the customer ignores these direct overtures at settlement.

So now I begin my "reasonable excuse" letter, which gives the customer an opportunity to pay by hiding behind a logical excuse and without other embarrassment. I try to warm the patient up and keep the account from getting chilled, so ten days later out goes this letter:

> "Perhaps you have been to the seashore or the mountains. Or in Florida or California for pleasure! Or any of a number of things might have happened!
>
> "If so, won't you please tell us about it, so we may know why our statements of account mailed you in the last thirty days have been so neglected.
>
> "A check—in whole or in part, will answer our purpose, but we must get this account cleaned up soon, or at least headed in the direction of an early settlement.
>
> "May we count on that check, be it large or small—by return mail?"

Generally, this brings a response from the remaining forty percent. Seldom does this letter go unanswered from that sheaf of stale accounts, for the debtor is given a cloak under which to hide his delinquency. Any reasonable excuse will suffice. What we want is the cash along with it. And if that does not come, we keep the debtor warmed up again when the next ten day period rolls around, and those who still fail to respond get this letter:

> "Sending you statements of account—Writing you letters asking for money—
>
> "It's out of my line—I'm a business man, not a lawyer nor a collection agency. I don't like it at all, any more than you like to receive them, but something has to be done about this account. Either you will pay it up or I will have to pocket the loss—and I'm certainly not going to do that without taking the matter to court.
>
> "Why not save me this disagreeable task of writing you letters or drive me to making actual threats? I don't want to do it. It's not good business. But you are driving me to it!
>
> "Now naturally I'm going to do one of two things—but you can save all that by sending a check in whole or in part before next Tuesday. What do you say?

If no response is received the time is now shortened to five-day periods in order to cut down on the psychological paying resistance of that particular debtor. It is only another example of how constant dripping wears away a stone. And it's all done in this same pressing vein—no hard-boiled collection method—no severe business-like tone to it—only friendly conversation, aimed at getting under the skin of that debtor and making him come across.

The trouble with most business men is that they lose patience, grow exasperated and wax eloquently profane,

with the net result that not only does the collection letter fail to bag its game quietly, persistently and consistently, but it loses a valuable customer—more frequently than it brings home the mustard. And so now out goes collection letter No. 3:

"I like to see you coming here regularly to make purchases, but I see by your account that you have stopped buying.

"Now, I don't want you to do that, but I do want you to settle up your account as quickly as possible, either by large payments or smaller ones, but do it regularly, and get started right away. The sooner the better.

"Frankly speaking, I don't like the collection end of this business. I like to see you make purchases and pay as promptly as you can. So tell me why you can't pay and I'll make all reasonable allowances, or send me a check in part with a promise to pay the balance—and state when.

"That will make you feel better—and me too!"

This sob letter, as it might be called, generally makes the customer most apologetic for the delinquency and secures the necessary promise which enables me to shelf the account temporarily until the date set for further payments. Invariably I secure a small check, plus a promise.

At this point many others would no doubt use the belaying pin on the heads of the debtors, instead of using subtle psychology to drive home the idea of paying and *paying now*. But such action would simply rile the debtor, ruffle his feathers, and instead of paying the debtor would become a fighting cock or a stubborn mule. All the debtor could see would be red, and the writer of that letter would be gored and impaled on the horns of a further dilemma.

"One Last Appeal"

However, I take one more chance and for those still failing to reply, this letter now goes out five days later:

"Back in the Stone Age, records were carved on a stone slab. When the debt was due, Mr. Creditor presented the account in a very polite fashion—holding the slab in one hand, while in the other he carried his stone mallet. The debtor had no alternative.

"Today, there are the courts, quick judgments, a seizure of property, or a making-it-impossible to ever again hold property, real or personal, in your name until that judgment is satisfied.

"What a penalty to have hanging over one's head simply from letting an account grow stale!

"Frankly, I'm getting to the end of my rope now. Will you compel me to sue or will you now answer my letters and pay something on your account? You have until next Tuesday to attend to this matter. I'm not going to write you any more letters."

This method generally gets what it goes after. Radical treatment is now clearly essential. I must pull the tooth out by the roots—just simply eradicate that account from my books or put it in litigation. And so this letter concludes the final ceremonies. Generally, by that time I'm down to rock bottom anyhow and have only a few dozen accounts left out of a big stack. This is, of course, the final straw which breaks the camel's back and to court we go if it is worth the struggle.

From this experience we might fittingly draw a few apt conclusions and try to digest them. The average credit manager can be very busy attending to the routine of his job, adjusting complaints, smoothing the path of credit, and in general ministering to the wants of his manifold duties. So that he has little time to discover the weak spots, and locate the leaks which lower his percentage of collections.

Buying slumps, stockmarket transactions, business depression, all make their inroads on the volume of business, and complicate the credit manager's job. Not only is there less buying with utter abandon but buyers clutch their pocketbooks tighter and fail to pay their bills promptly. The regular collection correspondence which has sufficed in the past to bring in payments, now seems to be all out of joint.

Contact with the buyer is maintained largely by the written word. Results depend upon what you say and how you say it, what you do and how you do it. The value of the written word cannot be overestimated. The psychology of each sentence must have its effect. Collection involves a business building factor as well as a means of turning over capital.

A credit manager can educate his customers to pay promptly by establishing the proper collection methods and sticking to them. But these collection ideas must be well thought out. They cannot give undue offense. They must pry a check loose or extract overdue coin painlessly.

The slogan "Poor Information not Poor Judgment is the Cause of Most Credit Losses" has been proven so many times that it now is an accepted axiom. Collections deal with the cases based on poor "information."

Dear Editor:

On page 11 of your June issue you publish a letter written by Mr. Harvey Lee Marcoux addressed to Dear Mrs. Jones. It appears to be dangerously near the wording of a letter where the debtor brought suit for damages, claiming that he was in poor health and that as a result of the letters, he suffered a relapse. The district court held that he had no right to bring such a suit, but the higher court reversed the decision and declared the debtor had the right to sue.

The following is the letter:

"This unpaid account may jeopardize your credit standing. We do not want to enter it against your record if we can help it.

"We earnestly suggest that you protect your credit and avoid needless expense.

"Do you realize how your continued neglect of this account is going to affect your credit standing?

"Wherever you go, whatever you do, a bad credit record will follow you like a shadow.

"Your future credit standing depends on your prompt payment of this account. Further neglect on your part will necessitate drastic action."

This was published in the Commercial Bulletin of Los Angeles advising retailers who send "hard boiled" collection letters to delinquent customers may face damage suits as a result, a decision just handed down by the District of Columbia Court of Appeals indicates. This letter was written by the Associated Retal Credit Men of Washington.

Yours very truly,
JOHNSON, CARVELL & MURPHY
By C. M. GAIR,
Secretary.

CMG:ESS

Hidden Liabilities in Credits

Items Not Usually Found in the Credit File

By C. C. Kempel, Treasurer, The Rohner Paper Co., Akron, O.

The subject of "Hidden Liabilities" is most intriguing. I find it is one of the more important steps in credit work, and one which should be brought out more often for airing.

You know the old saying "It takes a crook to catch a crook". This does not hold true in our credit profession, as evidenced by the fact that we occasionally fall into sour situations. Our big trouble is, I fear, the fact that most of us are just too honest or gullible, expecting or hoping for a miracle. Thus we pass up signs that we later recognize and realize were indicative of the last long ride on which some credit crook was taking us.

We are all familiar with the expression "hidden assets", but the more I think of my assignment, "Hidden Liabilities", the more I am convinced that we could nearly expunge hidden assets from our vocabulary if we determined the hidden liabilities before extension of credit. In short—get them before they get us.

I have just jotted down a few of the things I believe are pertinent to this subject, not necessarily in any sequence as to importance, but as they come to my mind.

Did any of your salesmen ever say that Mr. Customer is "good as gold"? I feel this is prime facie evidence of *Caveat Vendor,* reversing the old *Caveat Emptor*. This confidence is fine and often necessary, but a credit man must not let his optimism run away with his better judgment. Note the modern automobile of today is equipped with a high power motor, capable of doing 80, even 90 miles per hour, but is protected with hydraulic brakes in direct proportion.

What of Excessive Inventory

In regard to this, Roy A. Foulke writes in his booklet —"Signs of the Times" the following—"While the widespread profits for the calendar year 1936 presented a most happy picture, the heavy year-end inventories presented a dismal, unbalancing, unfavorable contrast. At the end of 1936 inventories in many lines were higher than in any recent year."

This fact is clearly indicated by the significant ratio of "net working capital" represented by inventory, a standard of measuring inventories which is gradually receiving increased, deserved attention from operating managements and particularly from those managements which periodically lose on "inventory write-downs" what they earn on actual operations.

Of course, this item is loaded with dynamite, and subject to much argument, because every industry has peculiarities all its own, and the matter of accepted periods of turn-over varies from daily to yearly.

While visiting a paper mill at Green Bay this past summer, we saw a pile of logs stored on their property that defied my powers of values. It was worth well over a million dollars, and the turnover on that inventory is a yearly expectancy. Contrast this with the daily turnover in the dairy industry or the frequent loss of 20% to 40% of a mill run in the steel industry.

What of Personal Factors

Marital and domestic difficulties are many times forerunners of financial troubles.

To illustrate—a few years ago one of our customers boasted to our salesman how he had been looking at a certain questionable magazine, showing the snake in the Garden of Eden asking Eve to pick apples. Just then Mrs. Customer walked in, looked at the picture and in a suggestive tone asked him if he ever picked apples. Forgetting his good wife and home he said "Yes", and proceeded to pick apples. It was at this point that we heard the story—so we insisted upon and obtained payment in full, but none too soon,—less than a month later the blackmailing husband took his share and the sheriff the balance.

The society minded wife is another Hidden Liability, and I say that with no disparagement of the thousands of wonderful wives and mothers all over the land. You know the type I mean, the dear thing who is above her husband's business, is more interested in being a spendmate than a helpmate. Pet extravagances such as her own car, fondness for nicer clothes than warranted, sending her children to expensive schools, too many in-laws living with or being supported by her. Personally, I would rather make my contribution through W. P. A. or some other alphabetical irritation; it is less painful and less personal.

Beware of Drinkers

Too great a desire and fondness to court and embrace the Bacchanalian graces. A man in business who is given to excessive drinking is digging his own Business grave, one deeper than our friend Shanghai used for old man Gudge when he disappeared from the Orphan Annie comic strip. An occasional sniffer is O. K., as long as it remains occasional, but unfortunately human nature is not constructed that way, or endowed with will power to stop at one. You remember the story of the pixilated

gentleman who was walking with one foot in the gutter and the other up on the sidewalk. The policeman accosted him with—"You're drunk." The fellow replied—"Thank God. I thought I was lame."

Horse racing and betting, and playing the stock market are conducive to excesses in living, both in and out of business hours. Watch the cash position of the fellow who can always give you a tip on the winner. I will admit it would have been swell to have had a "grand" on Sea Biscuit recently, but where to get that "grand."

I hold that the man holding his Company's purse strings and does not have extra money of his own, can not afford even to get interested in a game of chance. "The spirit is willing but the flesh is weak."

Look at Past History

Antecedant information regarding past history and past performance is usually a good barometer. Many of us have experienced this one time or another. One case especially I recall is a certain Akron wholesaler who failed some years ago. This business was opened with an amount of cash suspiciously equal to the assets that had disappeared in his former jewelry business. Going back we found the jewelry business was financed by a similar performance in Pittsburgh, which in turn was financed apparently by a bankruptcy in Altoona. Note that in Christian charity I say "apparently". A credit man has other names for it.

Lack of records, and insufficient records are sometimes beacons or Hidden Liabilities indicating the enterprise might be of a parasitical nature. Failure to comply with and keep proper books of records for Federal and State Labor and Social Security. We had one such case a few weeks ago where one of our customers could not produce any records, and after investigation the Federal authorities demanded payment of $120.00 within 24 hours, or they would close him up.

Into this category also could be placed those items, sometimes left off financial statements—loans from relatives, unpaid taxes, rental arrearage, mortgages, sales agreements, some accounts payable secured by lien, assigned accounts receivable, consigned merchandise or other assets. Such consigned accounts not having to be recorded, a creditor has no way of learning this condition unless disclosed by the frankness and honesty of the debtor.

"Fail for a Profit"

I recently heard the expression the business underworld. Into this class falls the fellow known as a "business sinner." His technique is beautiful. His plan to "fail for a profit" starts with giving solicited and unsolicited orders, placed indiscriminately over a wide area. Not intending to pay anyway, he knows that the greater his liabilities are, the greater and more successful will be his nefarious scheme. He times it perfectly, and just when the bills come due he does a vanishing act that would shame the Hindu boy who climbs the wriggling rope in a far east magic disappearing act.

At this point our Association can and does do its part. I insist there is a moral obligation imposed on every one of us in this Association to disseminate truthful and accurate information for our mutual good, and I might say survival.

Recently the credit man from one of our banks called regarding a certain unsatisfied suit we had pending against a man who forgot to pay his account with us some four or five years ago. I believe when the banker informs his Indiana correspondent of the record he left in Akron, his chances for credit will be cut to the irreducible minimum. We feel we helped some one save a few dollars.

Safe Bank Connections

A poor or faulty bank connection is distinctly a Hidden Liability, and I believe nearly every one realizes that, after our late lamented experience with bank holidays.

Some 15 years ago I heard a speaker who remarked that part of his job was to analyze bank statements to determine the safest depository for his company. This was in the era before Hoover, and we got a big kick out of that remark. But I appreciate now that he was smarter by 20 years and several thousand dollars than most of us.

Beware of the "apple polisher". This is the current term applied to the person who uses the old tactics of teacher's pet in school. You know the fellow who pats you on the back and gives you a line of sweet nothings, but who is actually putting a harpoon into you, and fades out when you have to mutter sweet nothings to the board of directors in an effort to explain the loss.

A coarse, discourteous voice at your switchboard, a slovenly worker in your factory, warehouse or office, a thoughtless road hog for your driver, poorly timed puns and time wasting story telling salesmen are all very real Hidden Liabilities in any business.

An alert executive will soon perceive and correct such conditions, provided, of course, his hands are not tied by bonds of relationship, fraternal patronage, or board of director connection.

What of the "Dead" Pigeons?"

I think a mixture of horse sense, together with available credit information will uncover another Hidden Liability in the form of dishonest or uncollectible accounts receivable. If these persist at a ratio greater than is normal for that particular business, chances are you will soon be pulling that ledger sheet out of the active file and placing it amongst the dead pigeons.

Look over your records for the last ten years and note the many chances in customer accounts.

When I mention horse sense, I think of a story they tell on Judge Kelly in Akron. He imposed a 90 day sentence on a prisoner, whose attorney protested, saying he couldn't do that. Judge Kelly replied—"Who said I can't?" The Attorney said the maximum under the statutes was 30 days. Kelly said—"Bring me the book." When he found the Attorney was correct, he said—"If the fellows who wrote that book had any horse sense they would have made the sentence 90 days."

Check List of Hidden Liabilities

I have followed rather the moral side than the strictly technical or accounting side in this outline. My reason for this is that there are enough technical items under this caption that we could spend a full school semester on them.

These include—

1. Acceptance discounted at the Bank.
2. Acceptance discounted in trade (*Cont'd on p.* 42)

Opposes Salary Plan for Referees

N.A.C.M. Committee Declares Chandler Act Should Be Given Thorough Test First

"No change should be made in the present system of compensating bankruptcy referees until the results of the recent broad amendment of the Bankruptcy Law are carefully studied and clearly show the need for such change," according to a statement of a subcommittee of the Legislative Committee of the National Association of Credit Men, appointed to consider the bill pending in the Senate, S. 2550, the purpose of which is to place referees in bankruptcy on a salary basis.

After criticizing certain specific provisions in the pending legislation the statement remarked that the matter of compensating bankruptcy referees is not now as important as it once was considered to be.

It referred to the fact that Chapter XI of the Chandler Act, which recently effected a complete modernization of the Bankruptcy Law, provides for the administration of estates in semi out-of-court proceedings at a very nominal expense and to the fact that creditors are taking advantage of this feature of the Act to a steadily increasing extent.

This development was cited by the subcommittee as one of several reasons why the effects of the Chandler Act should be more carefully studied before any additional fundamental changes in the Bankruptcy Law are made.

The pending bill, introduced in Congress on June 6, would provide for appointment of bankruptcy referees on a full-time basis and change their compensation from the present fee system to a fixed salary limited to $9,000 per annum. The Attorney General would be empowered to fix such salaries and the number of referees to be appointed would be subject to approval by the Senior Circuit Judge of the Circuit in which the district is situated and by the Attorney General.

The bill provides that salaries shall be "based in each instance on the business previously transacted by the referee or his predecessor." It would prohibit referees earning more than $7,500 a year from practicing law but would permit such practice by referees earning less than that amount.

Among the specific features of the pending legislation which the committee statement criticized were:

(a) The power to fix referees' salaries which the bill would grant to the Attorney General who, as a result of tax claims and for other reasons, is a party in interest in most bankruptcy proceedings;

(b) The uncertainty in the bill as to the manner in which the referees' compensation would be determined;

(c) Failure of the bill to provide for pending situations;

(d) The fact that the bill might open the door to the injection of favoritism or political partisanship into the administration of bankrupt estates.

The complete statement follows:

"The National Association of Credit Men, composed of 20,000 wholesalers, jobbers, manufacturers and bankers, has of necessity been deeply interested in the Bankruptcy Law, particularly in the economy, efficiency and honesty of administration of the law. Those interests influenced the Association in its sponsorship of the 1898 Act and ever since that time it has actively participated in most of the constructive efforts to amend the Act. For over five years the Association devoted a great deal of time and effort to the work of bringing about a general revision and modernization of the Act, which found legislative expression in the Chandler Act.

"To insure that the pending legislation, S. 2550, proposing to place bankruptcy referees on a salary basis, would receive the impartial attention of persons directly affected by it, a subcommittee of Association members, named at the end of this statement, was requested to consider the subject. This statement represents their views and may be taken as a reflection of the views of the entire Association.

"Intimately correlated with the principles for which the Association stands is the principle of uniform application of the Bankruptcy Act. The Association's members are engaged in almost every type of commercial and industrial activity throughout the length and breadth of the nation. The fact, among other things, explains the efforts of the Association to crystallize certain principles sponsored by it into a national code of business ethics. Most of the elements of that code are now embodied in the Bankruptcy Act and the judicial constructions thereof.

"It is the experience of the Association that spasmodic or hasty efforts to alter the Bankruptcy Law generally tend to retard rather than advance its development. That fact was reflected in the long and careful consideration which was given to the development of the Chandler Act. The Chandler Act has been effective only since September, 1938. Consequently the various carefully-drawn provisions of the Act which were designed to improve the efficiency and reduce the costs of bankruptcy administration have not had an opportunity to demonstrate their effectiveness in actual operation. Among these provisions is the power given to the court to limit fees of referees in bankruptcy, a power which has already been exercised in several jurisdictions.

"Creditors, such as members of the National Asso-

ciation of Credit Men, are principal parties in interest in bankruptcy proceedings. They are vitally interested in the expedition of bankruptcy proceedings as well as in the individual efficiency of officers of the court who are charged with administrative powers. Generally speaking, creditors have been satisfied with the administration of the estates afforded by the referees. There is little complaint with regard to either the capabilities of most individual referees or to the amount of their compensation. The complaints of creditors with regard to costs have usually been directed to other elements of administration.

"Senate Bill 2550, introduced at the present session of Congress on June 6th, is designed to "change the compensation of referees in bankruptcy from a fee to a salary basis so as to regulate their employment." Specifically, the referees are to be appointed with a view to employment on a full-time basis and their number is not to exceed the number that may be approved by the Senior Circuit Judge of the Circuit in which the district is situated and by the Attorney General. The bill would also substitute fixed salaries, limited to $9,000 per annum, for the present percentage system and would empower the Attorney General to fix such salaries. We pause here to comment on those two provisions of the pending bill.

"One of the most important matters now constantly coming before the Bankruptcy Court is the matter of tax claims asserted by the United States Government against bankrupt estates. The Attorney General is always a party to these proceedings. Therefore, the bill, if enacted into law, would give the Attorney General, as a partisan, certain definite control over the personnel and remuneration of the court before which he is to practice. This, it appears to us, is wrong in principle. Incidentally, there is no provision in the bill to take care of the probability of a disagreement between the Senior Circuit Judge of the Circuit and the Attorney General in the matter of appointments.

"The Chandler Act fixes the tenure of office of the referee at two years. The bill makes no changes in this regard. Therefore, by giving the Attorney General a voice in each new appointment the bill in effect gives to the Attorney General a veto power over the referees which he might exercise every two years. Entirely apart from the possible misuse of such power its very existence it not conducive to the free and impartial administration of justice.

"The theory of the bill is to make the maximum salary $9,000 per annum. In many districts this would be a fair maximum compensation, whereas in other districts the compensation would not be commensurate with the volume and importance of the cases handled and the conditions of the districts in which the cases arise.

"The basic theory of the bill is, presumably, to abolish the present system by which the compensation of a judicial officer is directly dependent upon the assets of cases which he administers. The bill, however, is not clear as to how that is to be accomplished. For example, it provides that salaries shall be "based in each instance on the business previously transacted by the referees or his predecessors." It is not clear whether the word "previously" refers to the preceding year or a previous period of years or whether the bill intends to provide that referees' salaries would be adjusted annually on the basis of the volume of the previous year's business. Will this mean that a referee, once established as a full-time referee, may be reduced from time to time to the status of a part-time referee? May it mean that part-time referees may from time to time be elevated to full-time referees? In view of the fact that the bill would permit referees earning less than $7,500 a year to practice law but would prohibit such practice on the part of referees earning between $7,500 and $9,000 per annum, the flexibility of compensation as provided in the bill would create an uncertainty and instability on the part of the referee which could not contribute to efficiency of administration.

"It may be here remarked, without intending any reflection on the integrity of governmental authorities, that the bill presents definite possibilities of favoritism which seemingly are opposed to the apparent intent of the legislation. For example, referees might be appointed at a salary of $7,400 per annum, which would enable them to materially increase their earnings through the practice of law, while other referees appointed at $7,500 or more per annum would not be able to so increase their earnings. Such an eventuality cannot be overlooked in an impartial analysis of legislation of this kind. It may also be remarked that anything which tends to inject personal or political partisanship or an element of patronage into the administration of bankrupt estates should be vigorously opposed.

"The members of the National Association of Credit Men are presently interested in the completion of the administration of thousands of estates now pending before referees who, under the present law, are entitled to compensation earned but not paid from such estates and to the compensation to be earned upon the completion thereof. The pending bill has no savings clause relating to these pending estates nor does it by its terms provide when it shall become effective if passed. Unless lawful provision is made to take care of these conditions, such a confused situation will result that much litigation will become necessary and the expense thereof would be an extra tax on pending cases.

"Before closing, we deem it necessary to re-emphasize the inadvisability of passing important legislation without first having the benefit of a reasonable length of time for research and study and before obtaining the opinions and advice of those best qualified on the subject. The National Association of Credit Men is most emphatically not opposed to reforms and improvements in bankruptcy administration. On the contrary, it has a record of almost continuous support and initiation of a large majority of the reforms of that kind which have been made in our bankruptcy law. It has, for example, given consideration for many years to the eventual advisability of the creation of separate courts of bankruptcy but it has not yet, particularly in view of the recent passage of the Chandler Act, deemed it advisable to recommend a change of that kind. Further, conditions have so changed since this subject was previously considered that the matter of compensating referees is not now as important as it once was considered to be. The Chandler Act itself has provided a means, through Chapter XI, for the administration of estates in semi-out-of-court proceedings at a very nominal expense. As creditors are learning more about the Chandler Act they are, to a steadily increasing extent, taking advantage of these features of the Act. This is an additional reason why the Act should be given a fair test before changes are considered. (*Cont'd on p.* 40)

Semi-Annual Credit Survey in So. America

By KENNETH H. CAMPBELL, Manager, Foreign Credit Interchange Bureau, N. A. C. M.

Members of the Foreign Credit Interchange Bureau of the National Association of Credit Men who are exporting manufactured products into 21 Latin American markets have again given their opinions and experiences with credit, collection conditions, and exchange delays in these countries in the 22nd semi-annual survey covering the first half of 1939. Members of the Foreign Credit Interchange Bureau are located all over the United States and are exporting all types of manufactured products and, therefore, their collected experiences on credit and collection conditions are of great value.

In compiling this survey, no consideration is given to the question of governmental debts or service obligations and the classification of "Credit Conditions" refers to the situation within the various Latin American markets from the commercial point of view only, as judged by exporting American manufacturers. The classification under "Collections" refers to current business and reflects the experience of members of the Foreign Credit Interchange Bureau who replied to the questionnaire.

It is apparent that reliable importers located in markets where import and exchange restrictions exist can take care of their obligations to American exporters, if they comply with the regulations that have been imposed. In some markets import restrictions and exchange regulations preclude the possibility of many American manufacturers doing business, but even in such markets, if the products are necessary to the economic development of the country, import permits and exchange cover can usually be secured.

Credit Conditions

It will be recalled that during 1938 ten of the countries surveyed maintained the same relative position in the credit classification. During the first six months of 1939 eleven countries have moved forward in this classification and ten have shown a downward movement. Those countries that have shown an improvement in the first six months of this year are: Venezuela,

Colombia, Dominican Republic, Mexico, Brazil, El Salvador, Haiti, Ecuador, Uruguay and Nicaragua. The most outstanding improvement being noted in Ecuador and Nicaragua. Venezuela is considered by those replying to the survey as being the outstanding market in Latin America, both from the credit and collection point of view.

Good:

Venezuela, Colombia, Peru, Panama and Argentina.

There has been a re-arrangement of the countries in this classification for the first half of 1939 as compared with the last quarter of 1938. Venezuela has moved to first place, followed by Colombia, and Argentina has dropped from first to last place in this classification.

Fairly Good:

Dominican Republic, Guatemala, Mexico, Costa Rica, Puerto Rico, Brazil and El Salvador.

Dominican Republic has moved up to first place in this classification. Puerto Rico has moved down from its previous classification at the end of 1938 of "Good" and Brazil and El Salvador have moved up from their previous classification of "Fair." Thus, there has been quite some reshuffling in this particular group in the last six months.

Fair:

Cuba, Haiti, Ecuador, Uruguay, Chile.

Cuba and Chile have moved down from their previous classification of "Fairly Good" to "Fair." Ecuador and Uruguay have moved up from their previous classification at the end of 1938 of "Poor" to "Fair."

Poor:

Honduras and Nicaragua.

Nicaragua has moved up from its previous classification of "Very Poor" to "Poor" and if its rate of improvement is maintained during the next six months, it should move forward to the next highest classification.

Very Poor:

Paraguay and Bolivia.

These two markets are not large or important to the majority of members who co-operated in this survey.

Collections:

The survey on collection conditions indicates a forward movement in fourteen of the countries surveyed, while six showed a decline and one registered

Continued on page 37)

Statement of Policy

As Adopted at Credit Congress in June 1939

The attached Statement of Policy and recommendations, adopted by the delegates to the 44th Credit Congress of the National Association of Credit Men at Grand Rapids, was presented to the Credit Congress by the Committee on Resolutions in lieu of the various individual resolutions which have been presented and adopted at previous Association conventions.

After careful discussion of the past practice of handling convention resolutions, the Resolutions Committee agreed that it had been unsatisfactory in several respects. The presentation of recommendations had come to be a somewhat routine ritual, involving the reading, at several times during general convention sessions, of one or more resolutions by the committee chairman. Frequently the resolutions were presented at times when only a comparatively small number of delegates were present to hear the resolution. That fact often resulted in the resolutions receiving less attention than they deserved. That was particularly true at times when the resolutions were rather long and the delegates were somewhat weary.

The Committee on Resolutions at the Grand Rapids Convention felt that these difficulties could be obviated and the action taken by the committee would receive careful consideration if, instead of individual resolutions, the views and recommendations of the committee could be presented in a single statement, read by the Chairman of the committee at a time on the program when a large number of delegates would be present. Accordingly, it voted unanimously to prepare such a statement instead of individual resolutions:

This Credit Congress has received from its Committee on Resolutions the following statement of policy and recommendations which it does hereby adopt:

During the past year the National Association of Credit Men has again recorded material contributions to the improvement of credit conditions and in the rendering of specific services to Association members.

In the field of legislation many outstanding accomplishments were registered, not only in connection with the large number of state laws which were either sponsored or supportd by the Association and in effective opposition which was rendered to many undesirable laws, but also in the initiation of work in connection with various matters which may ultimately require legislative action. Included in that latter category of work was the study of the practice of assigning accounts receivable and the expansion of the Association's activities in the tax field, resulting in the National Tax Survey. In view of the great importance of the Association's legislative work this Credit Congress urges renewed interest and activity in legislation on the part of every local association.

During the past year, membership in the Association's National Institute of Credit was more than doubled and twenty new chapters of the Institute were added. The Institute of Credit now has 500 more members than at any other time in its history, a convincing evidence of the increasing interest of our membership in credit education and the response of the National staff to that situation. Because of the importance of credit education to our individual members, to our member firms, to the credit profession and to the economic and social welfare of the nation, this Credit Congress urges every local association to take extraordinary steps in planning, promoting and developing a more extensive educational program through the chapters of the National Institute of Credit.

The Board of Directors of the National Association of Credit Men, and its members in Convention, have repeatedly and unreservedly endorsed our National Credit Interchange System as the most desirable and most effective medium through which ledger experience information can be made available. The modern scientific credit department has adopted the economical up to date Credit Interchange Report resulting in the elimination of the cumbersome and costly use of the direct inquiry. The cost of mailing and handling direct inquiries is more than the cost of Credit Interchange Reports, and results in less complete information.

Therefore, in recognition of these facts which result in giving the credit fraternity less information at a greater total cost, this Credit Congress endorses the principle that the interests of members can best be served, and ledger experience information more efficiently and economically distributed, through the use of the National Credit Interchange System.

This Congress endorses Credit Group activity as an important Association activity for all members in all lines of industry where and when the exchange of information through such medium is supplementary to Credit Interchange Service and not in conflict therewith.

This Credit Congress again reiterates its confidence in the constructive purposes and possibilities of the approved Adjustment Bureaus of the Association. It is proud of a system, wholly member-owned and non-profit in character, which is the largest and best organized effort in the field of credit work for the conservation of assets and reduction of waste. This Credit Congress recommends that Association members give maximum support to the Association's Adjustment System so that the benefits of its operations will be fully received by them and fully utilized for the improvement and (*Cont'd on p.* 43)

NEWS ABOUT CREDIT MATTERS

A section devoted to local Credit Association affairs

August, 1939

Copy deadline: 15th of month

Devaluation power extension opposed by NACM Directors

Following action taken at the Grand Rapids Credit Congress on June 15, a resolution of the N. A. C. M. Board of Directors, urging a withdrawal of the power given to the President by Congress to revalue the currency, was transmitted in June to the Senate Committee in charge of that important matter, prior to the time when the Senate took its important action. The National Legislative Committee, meeting in Grand Rapids, had recommended that the National Board draft such a resolution and submit it to Congress because it felt that the matter was of such importance that it should be handled by the highest authority in the Association. The National Board adopted and sent the following resolution:

"Whereas, the basis of sound credit is a sound currency and confidence in that currency, and

"Whereas, any change or threat of change in the gold content of the dollar is disturbing to commerce both domestic or foreign, and

"Whereas, the basis of any real recovery rests on confidence:

"Therefore, be it resolved that the Board of Directors of the National Association of Credit Men is opposed to the further devaluation of the dollar or to the extension of the power of the President to effect such devaluation after June 30, 1939.

"Adopted by the unanimous consent of the Board of Directors, June 15, 1939."

Even prior to the above Board action, the views of the Association were presented early in the spring by Executive Manager Heimann and a number of local Associations. The Grand Rapids resolution was confirmatory of this action taken by the Executive Manager and the Administrative Committee early in the spring.

"NACM Day" at Golden Gate Fair announces program for August 24th

San Francisco—About 750 credit representatives and their families are expected to participate in "N. A. C. M. Day" at the Golden Gate Exposition on August 24. Western Division Secretary-Managers will be attending the 15th Western Division Secretary-Managers Conference here at that time. Preliminary plans for August 24 call for a luncheon address by Executive Manager Henry H. Heimann, in the California Ballroom on Treasure Island, the address, in all probability, being broadcast to various membership meetings to be held by western credit associations. Tentative plans also call for a visit to the Palace of Fine Arts, dinner in the California Ballroom, and an evening performance of the Cavalcade of the Golden West.

It is requested that visiting credit executives, who plan on taking a vacation at that time to bring their families to visit the Golden Gate International Exposition, notify the Western Division Office of the National Association of Credit Men, Suite 700, 333 Montgomery St., San Francisco, so that proper arrangements can be made.

Amarillo "C" men are organized

Another addition to the group of local Credit Associations affiliated with the N. A. C. M. was made in June, when the Tri-State Association of Credit Men of El Paso and Albuquerque announced the beginning of operations of a new unit in Amarillo, Texas. George E. Boyd, who has been connected with the Albuquerque office of the Tri-State A. C. M. has assumed management in Amarillo with J. L. Vance, Secretary and General Manager of all three units of the Tri-State A. C. M.

M. W. West, Credit Manager, Amarillo Division Southwestern Drug Corp., has been chosen Chairman of the Board of Governors for the Amarillo unit, which is affiliated with the Central Division of the N. A. C. M. The movement for the establishment of the Amarillo Association, or the Amarillo office, was begun last January, and prominent in the activities were A. A. Martin, Momsen Dunnegan Ryan Co. of El Paso, and E. Van Cleave, Charles Ilfeld Co., Albuquerque.

Membership work pushed in Detroit

Detroit—Under the leadership of its newly-elected President, H. D. Palmer, Credit Manager, Detroit Steel Products Co., the Detroit A. C. M. is already actively engaged in membership activity with Harry J. Offer, Credit Manager, Detroit Edison Co., as Chairman of the Membership Committee. The entire Board of Directors has pledged itself to call on one prospect each month for the entire year. Membership work began with a golf tournament which resulted in two new members.






"Runners-up"

In last month's issue of "Credit and Financial Management," the prize winning essays in the fourth annual J. H. Tregoe Memorial Prize Essay Competition were presented, together with the pictures of each winner in Class A and Class B.

In the above row of pictures we present the six individuals who won second, third and fourth place in each class. They are, l. to r.: Class A, 2nd—Carleton A. Terbush, Drexel Hill, Pa.; Class B, 2nd—Carl E. Long, Baton Rouge, La.; Class A, 3rd—William A. Duvel, Boston; Class B, 3rd—Edward R. Wepman, Oxford, O.; Class A, 4th—Allen Rogers, N. Y.; Class B, 4th—Miss Jimmie Gray, Baton Rouge, La.

Association activities

Dallas:

At the annual election meeting in May the Dallas Wholesale C. M. A. chose the following officers: Pres., R. C. Rancier, Southwestern Drug Corp.; Vice Pres., B. M. Day, Chas. W. Breneman Co.; Treas., F. C. Carter, First National Bank. Directors for the period May 1, 1939 to April 30, 1941 are: J. M. Allender, National Casket Co.; F. J. Hogg, Butler Brothers; L. C. Jones, First Texas Chemical Co.; D. E. Maury, Fairbanks-Morse Co.; C. R. McClelland, American Radiator & Standard Sanitary Corp. Counsellor to the Board: C. C. Arnold, Fox-Coffey-Edge Co.

Richmond:

At the annual election meeting of the Richmond A. C. M. held here at the Hotel John Marshall, the following officers were chosen for the new year:

Pres., J. Henry Wendt, Graybar Electric Co., Inc.; Vice-Pres., A. W. Burket, T. Coleman Andrews & Co., Inc.; Chairman, Board of Directors, W. A. Williams, Williams & Reed, Inc.

Directors are: W. E. Albus, Southern Biscuit Co., Inc., Wilson M. Brown, State-Planters Bank & Trust Co.; W. T. Buckner, Tower Binford Elec. & Mfg. Co.; Mrs. Evelyn Divine, Atlantic Varnish & Paint Co., Inc.; C. S. Fensom, Watkins Cottrell Co.; H. E. Gilliam, Kingan & Co.; R. C. Hyde, Hajoca Corp.; H. Bright Keck, W. S. Donnan Hdwe. Co.; H. E. Perry, Virginia-Carolina Chemical Corp.; M. L. Presson, Central National Bank; H. L. Rogers, Charles Leonard Hdwe. Co., Petersburg, Va., and A. T. Webster, Larus & Bro. Co., Inc.

Cincinnati:

At the Board meeting in June the following officers were elected to head the Cincinnati A. C. M. for the coming year, the same meeting witnessing the induction of new Board members into office. The new officers are: President, O. E. Dreutzer, Alms & Doepke Co.; First Vice President, G. B. Ripley, American Laundry Machinery Co.; Second Vice President, J. L. Shonberger, Weisbaum Bros. Brewer Co.; Treasurer, J. G. Gutting, Second National Bank; Secretary, H. W. Voss, Cincinnati Ass'n of Credit Men.

Kalamazoo:

At the annual election meeting of the Credit Association of Southwestern Michigan three new directors were elected. They are: Carl Reyburn, Secretary of the Kalasign Company of America; Laverne J. Wetherbee, Cashier of The First National Bank; and Ed Baker of Peter Eckrich and Sons, Inc.

A large number of local members attended the Grand Rapids Credit Congress in June and took an active part in the proceedings during that week.

St. Paul:

The annual meeting of the St. Paul Association of Credit Men held on May 9th resulted in the election of the following: President, S. C. Brennom, Paper, Calmenson Co.; Vice President, H. T. Ready, U. S. Bedding Co.

Directors are: John H. Cooper, Webb Publishing Co.; W. H. Goranson, Theo. Hamm Brewing Co.; Frank J. Herman, Armour & Co.; W. T. Miller, Twin City Wholesale Grocer Co.; E. E. Schoen, Rex Oil Co.

Syracuse:

The Syracuse A. C. M. held its annual stag outing on June 3rd at the Hunters' Club. A record turn-out of members and guests thoroughly enjoyed the revival of the old feud for soft-ball supremacy between the bankers and commercial men. The game was won after a hard struggle by the latter by the narrow margin of 2-1.

Other events participated in were running races, eggthrow, horseshoes, and varied indoor sports. A sizzling steak dinner topped off the outdoor events and numerous prizes were distributed.

New officers of the local Association for this coming year are as follows: President, Wm. H. Kearney, J. P. Byrne & Co., Inc.; 1st Vice President, F. Clifford Heath, McKesson-Robbins, Inc., Syr. Div.; 2nd Vice President, Frederick P. Weymer, A. F. Weymer Co., Inc.; Treasurer, Harold T. Kruman, Merchants Nat'l Bank & Trust Co.; Secretary, Joseph E. Reese.

Directors are: Walter Kunze, Lennox Furnace Co., Inc.; Harold A. Parks, L. C. Smith & Corona Type., Inc.; H. Myal Roberts, Pierce Butler Radiator Corp.; R. M. Wilder, Pass & Seymour, Inc.; C. C. Lincoln, Brace-Mueller-Huntley, Inc.; Otto A. Quinn, Easy Washing Machine Corp.; Howard A. Tipper, First Trust & Deposit Co.; Warren B. Unbehend, Lincoln Nat'l Bank & Trust Co.; Donald S. Mooney, Cathedral Candle Co.; Culver M. Lussier, Sealright Co., Inc.; Arthur L. Meaker, C. G. Meaker Co., Inc.

Youngstown:

Vinton J. Goodridge, The Dollar Savings & Trust Co., is the newly-chosen President of the Youngstown A. C. M. Plans are now being made for a very active Association year under his direction and with the cooperation of the members and the other recently-elected officers and directors who include the following: Vice President, Fred W. James, James & Weaver, Inc.; Treasurer, Ernest M. Ikirt, Republic Rubber Division; Secretary, O. E. Johnson.

Directors are: Edward L. Antonen, Denman Tire & Rubber Co., Warren, Ohio; Harry C. Pearce, Sharon Hardware Mfg. Co., Sharon, Pa.; W. Ferd Reed, Pittsburgh Plate Glass Co.; K. Calvin Sommer, The Youngstown Sheet & Tube Co.; Clarence V. Wasser, The Standard Slag Co.

Memphis:

The annual barbecue of the Memphis A. C. M. was scheduled for July 15th at Oliver Cobb's place just north of the Mississippi line. Local plans are being pushed for the coming year under the direction of newly-elected President George W. Wilkins.

Nashville:

When the Nashville A. C. M. had its recent annual meeting at the Andrew Jackson Hotel, the following officers and directors were chosen for the ensuing year: President, A. J. D. Helwig, General Electric Supply Corp.; First Vice President, D. W. Johnson, Third National Bank; Second Vice President, A. B. Cullom, Washington Mfg. Co.

Directors are: L. C. Hansberger, Anderson's, Inc.; A. Spickard, General Shoe Corp.; C. W. Jackson, McWhorter-Weaver & Co.; J. K. Goode, Nashville Roller Mills; W. C. Elliott, C. B. Ragland Co.; C. O. Summitt, Southern Woodenware Co.; W. C. Ligon, Harris-Davis & Co; E. H. Hickcox, Smith Packing Co.

Philadelphia:

At its annual election meeting, the Robert Morris Associates chose the following list of officers for the coming year: President, Raymond F. Leinen, Lincoln-Alliance Bank & Trust Co., Rochester, N. Y.; First Vice-President, Harvey L. Welch, First National Bank, St. Louis, Mo.; Second Vice-President, J. Wilson Steinmetz, Ninth Bank & Trust Co., Philadelphia, Pa.; Secretary-Treasurer, Alexander Wall, Central Office; Assistant Secretary, Harold J. Heck, Central Office.

Directors — terms expiring 1940 — are: John H. Lucas, Peoples-Pittsburgh Trust Co., Pittsburgh, Pa.; John I. Riordan, Bank of America National Trust & Savings Association, San Francisco, Cal.; George F. Sawyer, First National Bank, Boston, Mass.; Deroy Scott, Lincoln Bank and Trust Co., Louisville, Ky.; Ralph D. Withington, Philadelphia National Bank, Phila., Pa.

Directors — terms expiring 1941 — are: Clarence R. Chaney, Northwestern National Bank & Trust Co., Minneapolis, Minn.; Kenneth K. DuVall, City National Bank & Trust Co., Chicago, Ill.; R. R. Gilbert, Federal Reserve Bank, Dallas, Texas; Arthur B. Murray, Chase National Bank, New York, N. Y.; Fred I. Robertson, Cleveland Trust Co., Cleveland, Ohio; T. B. Strain, Continental National Bank, Lincoln, Neb.

Oklahoma City:

Prominent public officials were present at the Oklahoma Club on June 21 for the farewell party staged by the Oklahoma Wholesale C.M.A. in honor of retiring Secretary-Manager, E. E. Barbee. The guest of honor spoke of his 11 years with the Association and received a resolution making him an honorary life member as well as a set of luggage for his trip to South America. He sails August 24 from New York. M. D. Pemberton succeeds him as Secretary-Manager.

N. Y. readers: please skip this page!!!

Rochester—At a recent meeting of the Rochester A.C.M., the speaker was Jimmy Jemail, who for many years has been "The Inquiring Fotographer" of the New York Daily News. True to his calling, Mr. Jemail took advantage of the opportunity to ask representatives of firms associated with the Rochester A.C.M. to answer this question:

"Can you pick out a New Yorker by his or her appearance or mannerisms?"

Here are the individuals and their answers, reproduced through the courtesy of "The News, New York's Picture Newspaper."

C. Herbert Bradshaw, President, Rochester A.C.M. and Credit Manager, Bausch & Lomb Optical Co.: "Yes, by his clothes. Generally speaking, he is better dressed and in a distinctive New York style. He'll also have a perfect three point landing kerchief in his pocket. Some men from New York like to act superior, but I don't consider them typical New Yorkers."

Classified:

A firm with a good Credit Man increases volume, conserves profits. Such a man is available—33 years old; educated, aggressive; 10 years retail experience; familiar with credit office detail, legal procedure, field experience investigating, collecting, supervision and customer reaction. Has functioned as Assistant to Secretary and Treasurer of petroleum concern. Address Box 81, Credit and Financial Management, One Park Ave., New York.

Credit man, 38 years old, married, now employed by national concern, and not

George C. Lennox, Lincoln Alliance Bank & Trust Co.: "I've frequently done it on the golf course. When I've played with a man and have asked him his usual score, I was certain that he was a New Yorker when he placed his score well under a hundred. The New Yorker never wears rubbers, not even when snow is on the ground, and we have a lot of snow in Rochester."

Katherine F. Kennedy, Asst. Credit Manager, E. W. Edwards & Son: "Yes, New York girls, generally speaking, know the art of make-up. They appear natural and at ease. They are also dressed in the latest styles, because styles originate in New York. The typical New York man always acts bored when you begin to talk about night clubs."

satisfied to continue in rut, desires to make a change. High school, business school and correspondence course graduate with 15 years experience in credit and office management and six years Assistant to Chief Executive. Address Box 82, Credit and Financial Management, One Park Ave., New York.

Albert C. Hetherlin, Credit Manager, H. C. Cohn & Co.: "Yes, by his manner of dress and his accent. You can spot a New Yorker by his choice of phrases, his pronunciation and his manner of speech. Very often he will have a superior manner which he tries to soften by being condescending."

H. L. Edgerton, Rochester Trust & Safe Deposit Co.: "From the viewpoint of a banker, I'd say that a New Yorker on the streets of Rochester is marked by his correctness of attire, usually of a sombre hue, and set off by the traditional derby. His bearing is erect, giving assurance of having associated with people of poise."

Attention shirt manufacturers or kindred lines—available at once—credit man, office manager, controller, efficiency expert, a seasoned executive with many years experience in the men's wear lines. Capable of assuming vast responsibilities, including development of sales force, correspondence, etc. An expert accountant by profession. Ten years with last concern. Unquestionable references. Compensation of secondary importance. Able to locate anywhere. Address Jos. Hirschhorn, 40 Havelock St., Dorchester, Mass.

OUR DISTAFF SIDE

Seattle:

A varied program was featured at the June meeting of the Seattle club, beginning with swimming from 5:30 until 7, followed by dinner. The evening program included the installation of officers for the coming year and a miscellaneous shower for Edna Browning Wylde.

At a previous meeting of the club, Miss Virginia Boren, Society Editor of the Seattle Times was in attendance, and reported very favorably the following Sunday in her column about the club's activities. Part of her comments follow:

"Versatile women are those members of the Seattle Credit Women's Club who handle important executive positions, and in addition find time to do charity work, hold social and educational meetings, and get out a clever monthly magazine called Debits and Credits. Debits and Credits is bound in blue, has some clever hand-drawn illustrations, and numbers twenty pages.

"Congratulations, members of the Seattle Credit Women's Club, yours is an interesting organization, yours is a sprightly, clever magazine!"

San Francisco:

The Credit Women's Club, at its June meeting had as guests, Owen S. Dibbern, Manager, Western Division, N. A. C. M., and F. J. Hart, newly-appointed Director of the Credit Managers Association of this city.

Pres. Ruth Babbitt presided at the meeting. Committees were appointed, copies of the Constitution and By-laws were distributed for the information of every member present, and many plans were discussed for the ensuing year, among which were those for "N. A. C. M. Day" at the San Francisco Fair in August, where the credit women hope to have an active place.

A club member, Mary Meehan, received recognition by winning the scholarship offered by the Credit Managers Association for completing the Junior course of the National Institute of Credit given through the Extension Division of the University of

Minneapolis:

The annual luncheon meeting of the Minneapolis Wholesale Credit Women's Club was held at the Country Club at Edina. It was the final meeting of the season and concluded a very successful year under the leadership of the retiring officers: Agnes Christianson, President; Harriet O'Brien, Vice-President; Esther Hanson, Secretary; Blanche Scanlon, Treasurer.

C-women of Dist. Two plan club programs

Credit women from District Two held their second annual summer meeting at Fontaine Bleu Inn at Odessa, N. Y., in the middle of June with 57 delegates present from Utica, Syracuse, Rochester, Buffalo and Binghamton, N. Y.

Credit education was in the forefront of the discussions during the meeting and each city's group gave a resumé of the activity during the past year and plans for the coming association year.

With this second annual meeting behind them the groups participating are convinced that this provides an excellent opportunity once a year to exchange ideas and plans which will help round out and strengthen the program of each of the credit women clubs in the district.

Miss McSherry wins H. R. Pouch scholarship

New York—Miss Marian R. McSherry of Oldetyme Distillers Inc. was announced as the winner of the annual Helen R. Pouch scholarship contest, which is sponsored each year under the auspices of the New York Credit Women's Club, at the June meeting here at Longchamps restaurant, which was the final function of the 1938-39 season.

Miss McSherry was introduced by Marion E. King of Richard Hudnut, the Club's retiring chairman who commented upon the excellent record made by last year's winner, Miss Barille of McFadden Publications Inc., and voiced confidence that this year's winner would keep up the splendid record previously established. Many entrants were included in this year's competition and the Executive Board, which made the selection, spoke highly of the many excellent papers submitted.

As honor guests at the dinner meeting the club had the donor of the scholarship, Mrs. Pouch, and her husband, Wm. Pouch, past President of the N. A. C. M. and President of the Concrete Steel Company, New York.

Motion pictures of recent trips, including scenes of Hawaii and the New York World's Fair, were shown by Mr. Pouch. Following the pictures a social program was enjoyed by the group, which also welcomed as its guests on this occasion, Mr. and Mrs. John Redmond, and Mr. Richard McCormick, newly-elected President of New York Chapter, N. I. C.

As a measure of appreciation for the fine work she has done for the group as Chairman for the past two years, the club presented Miss King with a traveling bag to help speed her to the Grand Rapids Credit Congress, where she represented the group as its delegate.

Obituary

Mrs. Harriet Watts

The funeral of Mrs. Harriet Naomi Watts, wife of Charles E. Watts, Credit Manager, Morton Salt Company, Chicago, was held at the First Baptist Church, Maywood, Ill., on June 28.

Mrs. Watts was born April 17, 1880, at Morris, Ill., and was married to Mr. Watts in 1903. Three children survive her. Mrs. Watts was taken seriously ill in Grand Rapids, Mich., following a fall there on June 15 while attending the 44th Credit Congress.

Pres. A. L. Podrasnik, J. F. O'Keefe, Secy., together with Sig Einstein, representing the Chicago A. C. M.; Lee Schroeder, National Director, and Frederick H. Schrop, representing the N. A. C. M., were in attendance at the church service.

Harrie G. Moore

Peoria—Harrie G. Moore, N. A. C. M. President in 1915-1916, died on June 3 here in Methodist Hospital, Peoria, Ill. He was 74 years old.

After retiring as Vice President of the Keystone Steel & Wire Co. a number of years ago, Mr. Moore became a world traveler and lecturer. He had returned from a Mediterranean trip on April 14. A year ago he made his last world tour, which was the fifth time since he retired in 1925 that he had gone around the world, visiting every continent and making 30 ocean crossings.

Mr. Moore was a direct descendant of Abram Clark, a signer of the Declaration of Independence. Born in Brighton, Ill., in 1864 Mr. Moore spent many years of his business life in Kansas City before coming in 1915 to Peoria. Besides heading the N. A. C. M. he was a Past President of the Kansas City A. C. M. and in 1924 was chosen as President of the American Hardware Manufacturers' Association. He is survived by his daughter, Mrs. Dan S. Anderson of Peoria, four grandsons and a sister, Mrs. L. M. Barbre of Lakewood, Ohio.

John A. Bond

San Francisco—John A. Bond, N. A. C. M. Vice President during 1932-33, died on June 6 at Larkspur, California, at the age of 70. He was general manager of the Standard Oil Co. of Cal. for the Pacific Coast for 30 years. He was retired by the company in 1934 and he and Mrs. Bond made several tours of the United States.

Mr. Bond served as President of the local Credit Men's Association of Northern & Central California, San Francisco, for two terms, 1926-1928. He is survived by his wife, Mary S. Bond, and daughter, Mrs. Edwards, and a grand-daughter.

He had been very active in credit work for the past 40 years, and had a long list of admirers and friends who mourned his passing.

Latin-American Credit Survey

(*Continued from page* 29)

"No Change." At the end of 1938 there was a decided tendency toward improvement in collection conditions in the markets surveyed and this apparently continued into the first six months of 1939. The most decided improvement, insofar as collection conditions are concerned was noted in such markets as Brazil, Nicaragua, Paraguay and Uruguay.

Prompt:

Venezuela, Argentina, Costa Rica, Dominican Republic, El Salvador, Mexico, Peru, Colombia, Guatemala, Panama, Puerto Rico, Haiti, Cuba, Ecuador, Brazil and Chile.

Brazil and Chile are newcomers to this group—Brazil moving up from its previous classification at the end of 1938 of "Very Slow" to "Prompt."

Fairly Prompt:

Paraguay, Nicaragua, Uruguay and Honduras.

Paraguay, Nicaragua and Uruguay have moved up from their previous classification of "Very Slow" at the end of 1938 to "Fairly Prompt" during the first six months of 1939.

Slow:

None of the twenty-one countries surveyed are in this classification.

Very Slow:

Bolivia.

Average Exchange Delays

In the 22nd semi-annual survey, members of the Foreign Credit Interchange Bureau were asked to indicate the average exchange delays they were experiencing on payments from these markets. We give below a recapitulation of the replies received:

Argentina	35-45 days
Bolivia	45-60 days
Brazil	30-45 days
Chile	30-60 days
Colombia	30 days
Costa Rica	20-30 days
Ecuador	20-30 days
Honduras	45-60 days
Nicaragua	45-60 days
Uruguay	60-75 days

It is interesting to note that even though credit conditions in some of the markets are not so satisfactory, collections have been relatively prompt. This might indicate that export customers who have been satisfactorily checked as to paying habits and financial and moral responsibility are good

risks, and have succeeded somehow in taking care of their obligations to American exporters in spite of a drop in the price of raw materials and agricultural products produced by these countries. An improvement in the basic price of raw materials and an expanded market for the products which these countries produce, will bring further stability and improvement to the countries surveyed and make them even better outlets for the products of American industry than they now are.

The uptrend in credit and collection conditions indicated in this survey of twenty-one Latin American countries will probably continue, barring a world conflict, during the remainder of 1939. The only dark spots that appear on the horizon at present are the recent fluctuation in the Mexican Peso which might have some adverse effect on the credit and collection situation in that market, and recent legislation in Cuba which indicates a weakness in the Cuban Peso.

Americans Improve Exports To Mexico

By H. O. Johnson, Sec. and Mgr., American Chamber of Commerce of Mexico, Mexico, D. F.

It is quite true that developments in Mexico in recent years have caused a number of concerns in the United States to put a question mark alongside Mexican business. Many firms now demand cash with order, others will give credit only to concerns they have dealt with for years, and then for only a limited length of time.

What has this meant for American business as a whole? I might cite one case, although no names will be mentioned in this article. A large concern in Mexico City, established here for 55 years has always done business with one in the United States. Shortly after the expropriation of the foreign owned oil properties, when the rate exchange fell from 3.60 to 5.00, a great many American companies became panic stricken, and without awaiting further developments immediately stopped all credit, including that formerly extended to the mentioned firm in Mexico City, demanding that all future orders be accompanied by cash. What was the result? The material that this Mexico City firm formerly purchased from the U. S. A. is now being purchased in Europe. Not long ago they were approached by the American firm to handle their products again on the old basis, but they gave a positive refusal. After fifty-five years of experience in handling the product every salesman knew it thoroughly and now it will be a difficult task and take many years to have a new company handle and learn the line, and gain the confidence of former purchasers.

Is it not time that we face the facts? Are European countries using this method to obtain business? Indeed not; and they are making rapid strides in Mexico, as in all Latin American countries.

We must remember another important fact, which is that until very recently Mexico was the second best customer for the U. S. on this continent, the first being Canada.

American Chambers of Commerce abroad are now assuming greater responsibilities in safeguarding America's competitive trade position in foreign markets. American business must take strong measures and should use their resources to oppose any pressure against freedom of competition by governments that control trade and commerce and militate so strongly against individual enterprise.

The American Chamber of Commerce of Mexico, of which I am Secretary and Manager, has kept business, Chambers of Commerce, Trade organizations, etc., informed of opportunities that exist here for American products. We have been doing this for years, but we intend now, with our limited facilities, to do more. It is up to all of us, not only as Secretaries of Chambers of Commerce, but the manufacturer, the exporter, the individual and the Press to put forth a supreme effort to combat present existing evils. Every dollar of material we ship outside the bounds of the United States, helps that much more to better our own present and future condition in the United States.

I disagree with statements that have been made, many of which have appeared in the press, that the businessman of the United States is doing everything possible to bring about more export trade for the United States. I can personally testify to the fact that much business, both large and small, is sitting back, and is not keenly anxious to do its part, and by not doing its part, is hurting all, including itself.

Free Ride for Time Sales

(*Cont'd from p.* 20) business properly.

Obviously, one section of the operator's business—the high balance, long term section—is carrying deficits created by another section—the low balance short term section.

And the trend—markedly so in the department store area—is toward the low balance short term section.

One of the leading department stores in the country is a noteworthy example of the effect of this trend. As compared with 1937, the time sales volume for this store dropped only 5 per cent in 1938 but the carrying charges for this business dropped almost 20 per cent! We can see what is happening here if we recall that the carrying charge on an eighteen month $300 deal is $27 whereas the carrying charges on fifteen four month $20 deals (equivalent to a $300 volume) are only $6.

Fair Rates for Credit Fares

"I don't blame you, Lou, for resenting these window-dressed 6 per cent rates," I said. "But let's be fair to these good people who have made it possible to buy so many splendid and useful things at prices that would be out of sight if everybody had to pay cash.

"I don't have to tell you, an industrial engineer, that the prices of automobiles, sewing machines, washers, vacuum cleaners, stoves and refrigerators would be much higher were it not for the fact that time sales made mass production of these items possible.

"And I'm inclined to think that, after what I've told you, 11 per cent per annum doesn't seem like too much to pay for the use of $20 of somebody else's money for four months. Right?"

"Sure," said Lou and put the menu-card in his pocket. "I don't want any free rides if I'm not entitled to 'em. But will you tell me why department stores, and banks, and some of these finance companies keep trying to fool me on rates? Why don't they make up their carrying charges in line with their cost of doing business?"

"I wish I knew," I said, "But this I do know: leaders in several important industrial fields *are* taking steps to remedy that condition right now."

Bad Debt Loss Survey—III

(*Continued from page* 15)

There are four other questions which it is quite proper to raise but for which there are no answers. At least, there are no answers founded upon facts. These questions may suggest, however, additional facts which should be collected next year. They follow:

9. Does the age of the industry have anything to do with the amount of bad debt losses? Too little information is available for an honest comparison or a fair deduction. It would be more helpful to classify firms by their individual age, with the expectation that the older houses were the wiser and suffered the smaller losses. We do not have information, however, which permits such an analysis now.

10. Do manufacturers who sell direct to retailers suffer larger losses than those who sell entirely or largely to middemen? Again, we do not know because we did not ask for the channels of distribution of reporting firms. The point, however, is important and should be followed up at some subsequent time.

11. Do bad debt losses decrease with an increase in the frequency of purchase? Another way of putting the same situation is: Are smaller losses taken in industries with quicker stock turns? The questions, while not synonymous, are for the most part parallel. Again, because the questions concern a basis for classification which is lacking in our present study, no answer is here available.

12. To what extent does the size of territory covered by the wholesale house affect the volume of losses? (This point would only apply to a manufacturer when his sales were local or regional.) The answer, in spite of the possible signification, is that we do not know. Figures have not yet been broken down for study.

Meaning of Bad Debt Losses

Now what does today's bad debt loss situation mean to business?

I. It means that the cost of doing business in this country may be increased by as much as $200,000,000 annually because of losses from bad debts. This figure does not loom so large when we realize that our national income is running around $64,000,000,000 and the overall figure for the total volume of all kinds of credit in 1936 was estimated to be $250,000,000,000 (Twentieth Century Fund). But it is large enough to deserve more attention collectively and individually.

II. It means that while there is a bad debt loss problem, there is no formula that, when applied, will automatically take care of the situation. Losses vary too much from industry to industry and from trade to trade. Further study will produce some justification for such differences, but it should also produce ways of reducing high losses. Research in this field has been neglected. At the expenditure of a few thousands of dollars, millions

can be saved.

III. It means that the small firms sustain the largest relative losses. While this idea suggests that increased facilities should be placed at the disposal of these small companies at a price which they can afford to pay for them, from a more practical point of view, it means that the large and small firms alike should make more effective use of the facilities already available to them. Such organizations as the National Association of Credit Men should and must take the lead in this matter.

IV. It means that bad debt losses are a concrete challenge to the credit profession and that the credit manager more than any other one man can do something about them. He must see as his opportunity an enlarged share of responsibility to his superiors, his industry, and American business.

V. It means that in the last analysis, credit management is a highly skilled, highly individualized profession, that it is much more than a matter of merely passing on credit risks. It is a personal, individualized service based upon adequate training, long experience, sound judgment, and a real desire to be of service.

TABLE 3—Average Number and Size of Accounts and Proportion of Total Accounts Written Off By Manufacturers, 1937 and 1938

Industry	Number of Reports	Total Number of Accounts		Average Credit Sales Per Account		Average Number of Accounts Per Firm		Percent of Total Accounts Written Off	
		1937	1938	1937	1938	1937	1938	1937	1938
Food and kindred products, total	345	846,133	873,943	$1,056	$982	2,453	2,533	2.70	2.65
Confectionery	165	437,829	442,449	477	450	2,654	2,682	1.98	2.25
Flour, cereals and other grain mill products	22	28,377	27,338	2,268	2,172	1,290	1,243	3.45	3.17
Meat packing	25	48,799	50,307	2,609	2,288	1,952	2,012	4.22	3.84
Distilled liquors	6	1,911	1,860	22,021	19,983	319	310	1.31	4.25
Malt liquors	12	48,591	51,474	1,375	1,394	4,049	4,290	3.28	2.62
Wine	18	12,658	12,395	1,595	1,315	703	689	5.75	5.82
Other food products	97	267,968	288,120	1,357	1,246	2,763	2,970	3.28	2.88
Textiles and their products, total	130	239,440	236,107	1,496	1,195	1,842	1,816	1.35	1.54
Clothing, men's, except hats	31	59,524	57,133	938	764	1,920	1,843	1.42	1.70
Clothing, women's, except millinery	23	43,744	42,068	403	363	1,902	1,829	1.18	1.58
Knit goods	11	28,769	28,961	962	825	2,615	2,633	1.13	1.35
Other textile products	65	107,403	107,945	2,392	1,847	1,652	1,661	1.44	1.50
Forest products, total	80	61,271	59,400	1,226	946	766	743	1.88	2.01
Furniture	45	45,621	44,044	928	726	1,014	979	1.84	1.96
Lumber, timber, and other miscellaneous forest products	35	15,650	15,356	2,097	1,576	447	439	2.00	2.13
Paper and allied products, total	95	156,091	156,341	1,177	1,017	1,643	1,646	1.33	1.32
Paper, writing, book, etc	22	23,678	23,384	1,032	905	1,076	1,063	1.98	1.95
Paper, boxes and other paper products	56	112,988	112,942	1,024	851	2,018	2,017	0.91	0.92
Wax paper	17	19,425	20,015	2,249	2,085	1,143	1,177	2.94	2.88
Printing, publishing and allied industries	76	206,993	201,664	181	170	2,724	2,653	2.81	2.83
Chemicals and allied products, total	128	406,623	407,511	491	445	3,177	3,184	1.93	1.89
Paints and varnishes	64	93,391	91,734	674	558	1,459	1,433	3.05	3.04
Pharmaceuticals and proprietary medicines	27	182,920	180,490	150	155	6,775	6,685	1.41	1.40
Other chemical products	37	130,312	135,287	839	754	3,522	3,656	1.84	1.75
Petroleum	21	602,937	642,360	945	832	28,711	30,589	2.67	2.58
Rubber products	12	14,513	14,694	2,262	1,911	1,209	1,225	2.32	1.57
Leather and its products, total	94	124,863	123,850	2,043	1,775	1,328	1,318	1.36	1.55
Boots and shoes	34	84,991	85,432	1,784	1,662	2,500	2,513	1.14	1.29
Leather: tanned, curried, and finished	35	14,233	13,427	6,417	5,067	407	384	2.20	2.18
Other leather products	25	25,639	24,991	473	391	1,026	1,000	1.64	2.10
Stone, clay and glass products	56	42,597	42,773	1,390	1,258	761	764	1.67	1.89
Iron and steel and their products, total	163	214,521	205,757	3,006	1,993	1,316	1,262	1.21	1.14
Hardware	15	35,206	34,959	984	782	2,347	2,331	0.58	0.66
Stoves, ranges, steam heating apparatus	19	20,941	18,691	1,616	1,195	1,102	984	2.77	2.59
Other iron and steel products	129	158,374	152,107	3,640	2,369	1,228	1,179	1.14	1.07
Non-ferrous metals and their products, total	58	82,427	80,851	3,516	2,597	1,421	1,394	1.52	1.56
Jewelry and jewelers' supplies	27	35,813	36,217	1,350	1,188	1,326	1,341	1.45	1.55
Other non-ferrous metals	31	46,614	44,634	5,181	3,740	1,504	1,440	1.57	1.57
Machinery, not including transportation equipment, total	218	287,782	285,556	1,829	1,476	1,320	1,310	1.98	1.89
Electrical machinery, apparatus and supplies	90	105,177	103,618	2,764	2,302	1,169	1,151	1.66	1.56
Other machinery, apparatus and supplies	128	182,605	181,938	1,290	1,005	1,427	1,421	2.16	2.07
Motor-vehicle parts	43	37,672	39,071	2,074	1,099	876	909	2.29	2.18
Miscellaneous industries	71	161,951	161,921	827	781	2,281	2,281	1.85	1.85
U. S. Total	1,590	3,485,814	3,531,799	$1,244	$1,024	2,192	2,221	2.16	2.15

Hidden Liabilities in Credit Files

(*Continued from page* 24)

3. Accommodation indorsements (unsecured).
4. Accommodation indorsements (secured).
5. Accumulated unpaid dividends (preferred stock).
6. Advance receipts on sight draft Bills of Lading.
7. Agreement to purchase securities.
8. Assigned accounts receivable without Liability release.
9. Contingent mortgage liability of subsidiary companies on properties acquired.
10. Customers notes sold, discounted, or otherwise transfered for value.
11. Discounted drafts.
12. Failure to redeem portion of preferred stock on date stipulated.
13. Commitments—merchandise or exchange.
14. Guarantor of accounts of others, or their Bonds.
15. Guarantor of rentals or contracts.
16. Guarantor of price maintenance.
17. Indorser of notes of subsidiaries.
18. Lawsuits pending against Company,—
    For patent infringement.
    For damage claims.
    By employees or officers.
    By the public.
    By creditors.
19. Leases.
20. Product guarantee.
21. Unpaid portion of stock owned but not paid in full.

Beware of Price-Cutter

One other signal on Hidden Liabilities is the fellow who can always undersell and cut prices. A business to be successful and maintain it's paying record is the one which gets a profit on it's merchandise.

There are only two ways to make a profit on sales—
1. Get a profit on every sale.
2. Refuse a sale on which there is no profit.

The chances for the underprice artist to succeed are about as remote as getting technicolor moving pictures of Napoleon's retreat from Moscow.

To summarize, I would say this subject is full of possibilities, and I hope I have helped freshen up our memories on points that we sometimes overlook.

How Banks Lend

(*Continued from Page* 10)

A series of questions was asked as to whether the bank made various types of specialized loans to individuals as distinguished from business loans.

As to personal loans the returns were as follows:

Banks granting personal loans	83.6%
Banks not granting such loans	11.3%
Banks not answering	5.1%
	100.0%

Of the banks reporting that they granted personal loans, 68.6% gave information which indicated an average number per bank presently outstanding of 355, and an average size for these loans of $195.

Loans to aid individuals finance instalment purchases are also extensively granted by the banks. The returns on this item were as follows:

Banks granting instalment purchase loans	62.7%
Banks not granting such loans	28.7%
Banks not answering	8.6%
	100.0%

Of the banks answering in the affirmative, 71.9% submitted data which indicated an average of 278 of this type of loan per bank outstanding and an average size of $159.

As to F. H. A. Title I loans, to repair or modernize a home or business structure, the returns were as follows:

Banks granting this type of loan	42.1%
Banks not granting this type of loan	51.3%
Banks not answering	6.6%
	100.0%

Information given by 84.4% of the banks granting Title I loans indicated an average number outstanding per bank of 186, and an average size for these loans of $351.

As to F. H. A. Title II loans, to construct, acquire or refinance a home, the returns were:

Banks granting this type of loan	41.2%
Banks not granting this type of loan	52.8%
Banks not answering	6.0%
	100.0%

Of the banks granting Title II loans, 90.6% indicated an average number per bank of 39, and an average size of $3,709.

The final question related to the granting of other types of building loans. The returns were as follows:

Banks granting other building loans	43.6%
Banks not granting such loans	36.1%
Banks not answering	20.3%
	100.0%

Of the banks answering this question in the affirmative, 81.5% indicated that on the average there were 128 such loans presently outstanding per bank and that the average amount per loan was $2,889.

Summary

The data supplied in response to the various foregoing questions justify the following statements:

1. A very high percentage of the commercial banks are making active efforts to stimulate the use of commercial bank credit on the part of both business concerns and individuals in their communities.

2. They have made liberal adaptations in their loaning methods and policies in order to meet the varied requirements of individuals and business concerns applying to them for credit.

3. The needs of small borrowers in the fields of business and personal finance alike are being well taken care of by the commercial banks.

GOAT, BEING THE.—The origin of this expression undoubtedly refers to the scape (escape) goat, mentioned in the Old Testament. The sins of the people were figuratively transferred by the priest to the head of the goat, and the animal was then turned loose in the desert, carrying away the sins of the people. The modern application is easily recognized.

Statement of Policy at Credit Congress

(*Cont'd from p.* 30) stabilization of credit conditions.

This Credit Congress notes with approbation the report of the Executive Manager that services rendered in Washington by the Association's Washington Service Bureau nearly doubled during the past year. It recognizes this increased usage of the Association's Washington Office and the value of this service which the Association provides for its members in the Nation's Capital. This Congress urges all local associations to make a concerted effort to publicize this activity so that all members will be aware of the existence of the service and able to utilize it to the fullest extent.

This Credit Congress observes with approval, advances made during the past year in connection with the important monthly study of sales and credit conditions among wholesalers and manufacturers, which is made jointly by the Association and the Department of Commerce. It approves the increased coverage of this survey which makes possible the presentation of a more adequate monthly picture of the diversified conditions obtaining in the fields of wholesaling and manufacturing. In particular, the Congress commends the inauguration between the Association and the Bureau of Foreign and Domestic Commerce, of a program of annual surveys of bad debt losses of wholesalers and manufacturers. It pledges the continued cooperation of the Association with the Bureau of the Census and the Bureau of Foreign and Domestic Commerce in these important studies in the field of credit and again expresses its appreciation to those agencies of the government and to members for their invaluable cooperation.

The Credit Congress notes with approval and commendation the work performed during the past year in the Association's Foreign Credit Interchange Bureau which faces an increasingly important responsibility in providing credit information to our members engaged in foreign trade. It also notes with hearty approval the increased public relations activities of the Association which have resulted again in a larger volume of press publicity not only concerning the Association's activities but also dealing with important matters in the field of credit which are of interest to the general public as well as to business.

This Credit Congress again pledges the continued cooperation of the National Association of Credit Men in all matters in which our government and business may join their efforts to increase business activity and improve general economic and social conditions. The Association believes and has always believed in the principle of a balanced federal budget. This Credit Congress recognizes that an immediate balancing of the budget is impractical but believes that strict adherence by our government to a policy leading to a balanced budget would contribute a reassuring and stabilizing element to our economic life. It believes that the principle of sound investment should dominate all governmental expenditures. It recognizes the responsibility of organized business to render cooperation and advice to governmental agencies and urges the continuance of efforts whereby the common problems of government and business will receive the sympathetic consideration of both groups, uninfluenced by ill-will or suspicion.

This Credit Congress recommends that the National Association of Credit Men present its views and suggestions with regard to matters of bankruptcy administration to the Committee appointed by the Attorney General to study that subject and to committees of the House and Senate which will consider any legislation which may result from such a study. The Credit Congress feels that the practical experience of the thousands of members of the Association in matters of bankruptcy will be of invaluable assistance to any official study of the matter.

The Credit Congress reaffirms the traditional policy of the Association in favor of par clearance of checks. It deplores the tendency which is evidenced in some parts of the country to weaken the principle of par clearance through the use of exchange charges. It commends the efforts which the Association has made in connection with that matter, urges the continuance of those efforts and recommends that the Association continue to keep members informed with regard to this important matter through the medium of the Association's monthly magazine and other Association publications.

This Credit Congress has received the report of a special subcommittee of the National Legislative Committee which, during the past year, has made a careful study of various aspects of selling and hypothecating accounts receivable. This Credit Congress recommends the continuance of this study, the initiation of educational activities to better inform members regarding the matter and the further consideration of the possibility of developing legislation which would adequately protect creditors without unduly restricting the proper practice of disposing of accounts receivable. In this matter the traditional stand of the National Association of Credit Men against secret transfers of assets is strongly affirmed.

This Congress recognizes the great responsibility of government and industry during this critical period, and appreciates their cooperative efforts to restore normal recovery. Our Nation's credit and security depend upon the moral integrity of her citizens. Moral re-armament creates that confidence required to accelerate business and employment.

Our keynote speaker stated that "the recognition of God must be the foundation stone of progress in human welfare." There is being awakened a new determination in men of affairs to get back to those vital truths on which our Nation was founded. This Congress endorses and urges the recognition of these spiritual values in solving the problems of government and industry.

Guarantee of Wages Does Not Set Up Priority

Judge Leibell, of the U. S. District Court, ruled early in July that an agreement between manufacturers or general contractors and their sub-contractors providing for a guarantee of payment to employees of such sub-contractors does not give such employees priority claims under the Bankruptcy Act. Judge Leibell said in delivering his opinion:

"I am of the opinion that this agreement does not make the wage claimants herein employees of the manufacturer, the bankrupts. There was no master and servant relationship between the parties. It has often been held that to be entitled to priority as wages for a workman, clerk or servant, the claim must be such as arises from the relation of master and servant as distinguished from a mere contractual relationship.

"In the instant case the contractors were the employers of the claimants, and the agreement between the manufacturers' association and the union did not so extend the relationship so as to make the claimants also employes of the manufacturers, the bankrupts, and bring them within the provisions of section 64 (a) (2) of the Act."

Committee Opposes Referee Salary Plan

(*Cont'd from P.* 26)

"We therefore earnestly recommend to all those who are interested in this subject that they consider the foregoing to the end that legislation will not be passed which would in any degree destroy the effect of the legislation which Congress has passed after many years of consideration and attention to the subject."

C. Callaway, Jr.
Crystal Springs Bleachery, Inc.
Chickamauga, Georgia

Frank Dudley
General Grocery Company
Portland, Oregon

William Watson
Socony-Vacuum Oil Company
New York City, New York

Members of Subcommittee.

The business thermometer:

Analysis of figures by Marketing Research Division, U. S. Dept. of Commerce

Mfrs. sales up 13% in first 6 months of year

Manufacturers sales during the first half of 1939 reflected the business expansion during this period with an increase of 13 percent over the first six months of last year. In addition to the increased movement of goods into consumption it is notable that the margin of decrease in wholesalers inventories from the corresponding period of last year has substantially narrowed. This relative increase in stock holdings in wholesale trade is, of course, mirrored in increased sales by manufacturers.

The change in inventory holdings by wholesalers is well illustrated by the fact that at the beginning of 1939 the cost value of holdings in wholesalers hands was 14 percent below the beginning of 1938. At the end of June, the mid-year point, the margin from the same date of the previous year had narrowed to one percent.

Durable goods industries led in the upward movement. Manufacturers of Motor Vehicle Parts and Iron and Steel Products both reported increases of 41 percent over the sales volume effected during the first half of 1938. The third largest increase reported was the 32 percent rise registered by the Non-Ferrous Metals Industry.

As was pointed out in the previous article in this series, the less spectacular gains recorded by the more stable industries producing non-durable consumption goods are also worthy of note. Only one of these industries recorded a sales decline from the first half of 1938; refiners of Petroleum registering a 3 percent decrease.

Wholesaling rose half billion in 1st six months

The total dollar volume of wholesale trade in the United States during the first six months of this year totaled approximately $9,600,000,000, an increase of about a half billion dollars from the first half of 1938, according to Department of Commerce estimates. Judging from the reports of almost 3,000 wholesalers cooperating in the regular joint study of the National Association of Credit Men and the Department of Commerce the major part of the gains were made in the second quarter of this year. Estimates place the first quarter rise at about $200,000,000 with the remaining $300,000,000 of the six months increase coming in the second quarter.

May and June were the big months of the first half year, May sales being up 12 percent above May of last year while June sales registered an 8 percent increase over last June. Sales in the first four months of the year while not attaining such significant margins over the corresponding months of 1938 also showed increases ranging from 1 to 5 percent.

It seems evident that the maintenance of consumer buying over the past several months has become manifest in the wholesale trade figures through the increased commitments of retailers. The generally

All survey figures collected and compiled by U. S. Bureau of Census

MANUFACTURERS' sales and collections on accounts receivable, June 1939

Industry	Dollar Sales: Number of firms	Dollar Sales: Percent change June 1939 from June 1938	Dollar Sales: Percent change June 1939 from May 1939	Dollar Sales: June 1939 (000's)	Sales For 6 Mos. 1939: Number of firms	Sales For 6 Mos. 1939: Percent change from 6 Mos. 1938	Sales For 6 Mos. 1939: 6 Mos. 1939 (000's)	Collection Percentages*: Number of firms	Collection Percentages*: June 1939	Collection Percentages*: June 1938	Collection Percentages*: May 1939	Total Accounts Receivable: Percent change June 1, 1939 from June 1, 1938	Total Accounts Receivable: Percent change June 1, 1939 from May 1, 1939	Total Accounts Receivable: As of June 1, 1939 (000's)
Food and kindred products, total	398	+ 3.3	— 0.7	$51,591	368	+ 3.1	$306,247	285	117	122	126	+ 8.5	+ 1.4	$39,859
Confectionery	198	— 4.7	—14.4	11,368	192	— 0.6	84,279	118	119	125	127	+ 0.4	—10.5	6,635
Flour, cereals and other grain mill products	25	—12.4	— 7.7	4,926	23	—11.5	30,389	20	161	155	154	—14.0	—19.1	3,046
Meat packing	25	— 7.2	— 8.2	5,008	23	+ 1.1	29,564	22	165	164	182	— 4.7	+ 2.3	2,752
Distilled liquors	8	— 1.4	+ 1.1	2,595	6	+ 5.9	15,852	7	72	84	77	+ 6.7	— 4.5	4,862
Malt liquors	9	+17.8	+18.1	8,144	9	+ 9.6	35,841	8	152	156	158	+17.4	+22.8	5,038
Wine	26	— 0.9	+ 0.7	1,045	22	+ 6.7	5,674	18	64	62	64	+ 3.3	— 2.6	1,544
Other food products	107	+12.9	+ 6.4	18,505	93	+ 9.3	104,648	92	108	112	124	+19.5	+ 8.9	15,982
Textiles and their products, total	122	+25.8	+ 2.7	25,089	112	+14.4	133,686	114	74	71	68	+ 5.1	— 4.7	34,406
Clothing, men's, except hats	32	+34.0	—13.1	4,327	28	+17.7	20,105	30	59	59	46	+ 8.9	— 7.8	8,892
Clothing, women's, except millinery	19	+16.1	—17.7	1,152	15	+ 7.3	4,627	17	78	72	78	+ 7.1	— 6.0	1,621
Knit goods	9	+20.4	—12.2	1,870	9	+19.7	11,743	9	74	69	76	+ 8.7	+ 2.3	2,726
Other textile products	62	+25.1	+11.4	17,740	60	+13.5	97,211	58	76	80	75	+ 3.0	— 4.1	21,167
Forest products, total	65	+22.6	+ 0.5	4,455	64	+16.1	24,944	62	67	64	67	+11.9	+ 0.2	6,463
Furniture	37	+24.4	+ 1.1	2,764	36	+14.1	15,536	34	60	57	61	+10.5	— 1.3	4,315
Lumber, timber and other miscellaneous forest products	28	+19.8	— 0.5	1,691	28	+19.6	9,408	28	82	78	81	+14.8	+ 3.3	2,148
Paper and allied products, total	95	+15.1	+ 2.7	14,020	82	+ 7.7	73,264	84	103	95	101	+ 7.7	— 0.8	12,876
Paper, writing, books, etc	24	+ 8.8	— 3.2	1,784	24	+10.1	11,434	17	82	75	82	+ 6.5	— 3.3	2,115
Paper, boxes and other paper products	58	+17.4	+ 3.0	8,692	54	+ 5.3	45,467	57	105	96	105	+ 7.5	— 0.3	8,120
Wax paper	13	+13.2	+ 5.3	3,544	4	+13.1	16,363	10	112	107	108	+ 9.7	— 0.3	2,641
Printing, publishing and allied industries	58	+ 5.4	— 6.1	2,083	53	+ 2.7	12,348	53	70	70	70	+ 8.1	— 2.9	3,279
Chemicals and allied products, total	121	+24.0	— 5.8	16,264	107	+20.8	83,700	110	76	68	74	+ 9.8	+ 3.7	23,134
Paints and varnishes	62	+20.1	— 8.2	4,634	58	+13.3	23,193	58	61	57	58	+ 9.9	+ 5.8	9,520
Pharmaceuticals and proprietary medicines	21	+10.5	—11.3	1,150	16	+17.0	7,336	19	66	66	68	+17.8	+ 0.6	1,864
Other chemical products	38	+27.6	— 4.1	10,480	33	+25.0	53,171	33	89	76	88	+ 8.6	+ 2.6	11,750
Petroleum	18	— 3.3	— 3.0	42,358	17	— 2.9	245,573	15	108	113	109	— 1.4	— 5.2	25,292
Rubber products	14	+17.7	+22.9	3,531	14	+ 2.3	15,383	13	61	68	56	+27.3	— 2.5	5,449
Leather and its products, total	106	+19.1	+ 7.1	23,235	104	+16.6	144,903	97	56	56	58	+10.2	— 7.9	39,918
Boots and shoes	46	+21.8	+ 1.7	15,645	44	+10.9	99,681	42	50	50	52	+11.5	— 8.3	33,350
Leather: tanned, curried, and finished	39	+13.3	+24.3	6,828	39	+32.8	40,613	35	87	86	93	+ 3.0	— 6.0	5,703
Other leather products	21	+17.8	— 8.4	762	21	+20.5	4,609	20	82	75	80	+11.8	— 5.4	865
Stone, clay, and glass products	54	+17.8	+ 5.3	10,946	51	+12.9	52,521	50	87	84	86	+11.8	+ 5.6	11,322
Iron and steel and their products, total	164	+40.8	+ 4.6	47,560	152	+40.9	268,999	152	83	83	85	+39.6	+ 3.1	54,170
Hardware	18	+34.0	+10.5	2,945	18	+25.0	15,883	17	75	78	67	+35.1	+ 0.7	3,521
Stoves, ranges, steam heating apparatus	26	+23.2	+ 3.5	2,899	22	+11.6	12,117	26	64	62	60	+19.0	+10.8	4,359
Other iron and steel products	120	+42.7	+ 4.5	41,716	112	+44.1	240,999	109	85	85	89	+42.3	+ 2.7	46,290
Nonferrous metals and their products, total	50	+32.3	+10.7	10,044	47	+32.5	55,026	47	75	73	73	+18.9	+ 1.1	11,910
Jewelry and jewelers' supplies	23	+31.3	+30.1	4,546	22	+33.0	23,910	21	64	73	62	+18.1	+ 0.5	5,276
Other nonferrous metals	27	+33.2	— 1.5	5,498	25	+32.2	31,116	26	83	72	82	+19.6	+ 1.5	6,634
Machinery, not including transportation equipment, total	201	+25.7	+ 5.3	51,059	193	+12.6	192,574	176	73	68	72	+17.1	+ 2.3	43,049
Electrical machinery, apparatus, and supplies	90	+23.6	+ 1.0	34,229	84	+17.0	108,774	77	78	73	78	+22.6	+ 4.8	25,846
Other machinery, apparatus and supplies	111	+30.1	+15.3	16,830	109	+ 7.3	83,800	99	65	62	63	+ 9.8	— 1.3	17,203
Motor-vehicle parts	43	+51.0	+ 0.5	5,088	41	+40.7	31,214	40	84	70	82	+15.0	— 7.0	6,477
Miscellaneous industries	71	+19.7	+ 0.1	11,607	68	+12.2	61,033	61	75	77	79	+15.0	+ 8.8	13,232
Total	1,580	+17.5	+ 2.2	$318,930	1,473	+13.1	$1,701,615	1,359	83	82	83	+14.0	— 0.5	$350,836

Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

low wholesale price level during the first half of this year also contributed much to the maintaining of demand for the goods in the wholesaler's warehouse.

Consumer durable goods trades lead

The durable goods trades were among the leaders in the increased sales effected in wholesale trade channels during the first half year. Inventory depletion is necessitating substantial replacements.

WHOLESALERS' sales and inventories, June 1939

Kind of Business	Dollar Sales				Sales For 6 Mos. 1939			End of Month Inventories (Cost)				Stock-Sales Ratios♯		
	Number of firms reporting sales	Percent change June 1939 from		June 1939 (000's)	Number of firms reporting sales	Percent change from 6 Mos. 1938	First 6 Mos. 1939	Number of firms reporting stocks	Percent change June 1939 from		June 30, 1939 (000's)	June 1939	June 1938	May 1939
		June 1938	May 1939						June 1938	May 1939				
Automotive supplies	197	+14.9	+ 2.6	$3,201	181	+14.0	15,888	89	— 3.0	— 1.0	$3,798	228	280	240
Chemicals (industrial)	14	+14.0	+ 5.4	682	13	+ 9.7	3,215	10	— 3.6	— 3.6	562	112	129	124
Paints and varnishes	36	+ 0.1	—13.2	1,951	31	+ 4.0	10,436	13	— 3.0	+ 3.3	774	200	211	166
Clothing and furnishings, except shoes	48	+16.9	—32.5	927	38	+ 6.0	8,462	28	+15.4	+ 5.1	1,678	373	381	276
Shoes and other footwear	36	— 1.5	—22.2	6,228	34	+13.6	46,103	22	+16.4	+ 1.0	4,334	266	260	190
Coal	10	— 6.0	—10.5	1,907	9	+ 9.2	16,162	4	—14.7	+48.6	1,372	85	94	48
Drugs and drug sundries♯♯	76	+ 1.6	— 5.2	7,623	73	+ 6.7	45,701	49	— 0.6	+ 0.8	9,766	226	235	209
Without liquor department	59	+ 3.5	— 3.6	5,316	56	+ 6.9	32,142	34	+ 0.3	— 0.6	4,953	200	209	195
With liquor department	17	— 2.5	— 8.7	2,307	17	+ 6.4	13,559	15	— 1.6	+ 2.3	4,813	261	269	226
Dry goods	124	+17.0	— 5.5	10,240	115	+ 9.0	61,033	78	— 5.6	— 0.8	20,211	269	326	257
Electrical goods	344	+39.4	+ 2.7	20,457	294	+16.3	93,884	288	+ 6.1	— 3.0	19,409	106	142	112
Dairy and poultry products	20	— 6.5	— 3.3	1,818	20	— 7.3	10,925	12	— 1.2	+13.4	738	76	70	66
Fresh fruits and vegetables	83	+ 4.8	+ 1.9	2,716	71	+ 4.5	12,598	57	+ 6.3	+ 1.3	714	36	36	36
Farm supplies	9	— 4.7	—52.5	327	8	+ 3.7	4,654	4	+13.4	+13.4	246	180	167	134
Furniture and house furnishings	50	+20.3	—15.0	3,182	44	+18.7	17,310	26	+12.0	— 3.9	4,452	209	232	179
Groceries and foods, except farm products	762	+ 0.8	+ 3.3	57,737	699	— 0.9	303,495	437	— 1.2	— 3.6	44,296	133	135	142
Meats and meat products	68	+ 7.5	— 5.1	11,699	57	+12.2	69,081	46	+16.4	+ 0.9	1,834	54	46	50
Beer	33	+ 5.1	+ 6.2	497	30	— 0.1	2,217	26	+ 3.2	+19.4	129	32	32	29
Wines and spirituous liquors	26	—27.6	— 6.4	2,763	20	—19.6	14,924	16	— 2.4	+11.5	4,583	181	132	151
Total hardware	440	+14.0	— 1.1	29,455	417	+ 9.0	146,852	279	— 1.2	— 1.3	50,209	252	293	251
General hardware	159	+13.1	— 2.6	18,789	150	+ 7.2	93,056	99	— 0.6	— 1.6	36,273	269	306	266
Heavy hardware	21	+14.9	— 0.5	1,234	21	+12.3	6,749	16	— 2.3	— 0.8	1,775	237	273	223
Industrial supplies*	128	+15.3	+ 1.6	4,659	122	+11.8	24,364	82	— 1.1	— 0.5	7,763	248	297	248
Plumbing and heating supplies	132	+16.3	+ 2.1	4,773	124	+13.0	22,683	82	— 5.5	— 0.2	4,398	171	220	175
Jewelry	45	+21.1	— 8.7	1,140	43	+25.9	5,962	26	— 3.9	+ 3.3	2,843	459	561	380
Optical goods	9	+17.5	+ 5.2	181	8	+18.1	1,057	**	**	**	**	**	**	**
Lumber and building materials	42	+27.8	— 3.0	2,693	40	+18.3	12,030	25	+ 3.8	+ 1.4	2,311	128	155	118
Machinery, equipment and supplies, except electrical	64	+10.7	+ 7.4	1,619	53	— 2.9	8,003	32	—14.2	— 1.9	2,953	297	394	340
Surgical equipment and supplies	31	+14.9	+ 3.6	523	29	+12.3	2,927	19	+ 0.6	— 0.6	662	180	206	190
Metals	18	+13.0	+ 5.2	1,137	18	+17.2	6,489	12	+ 6.8	+ 0.4	1,704	228	271	236
Paper and its products	100	+11.6	— 0.5	4,555	84	+ 6.4	25,017	49	— 6.1	— 0.2	3,684	178	205	176
Petroleum	12	+ 4.4	— 0.2	8,717	11	+ 2.8	52,388	8	— 8.5	+14.5	8,488	131	148	112
Tobacco and its products	179	+ 1.9	+ 4.1	15,167	175	+ 2.3	79,004	67	+ 1.4	+ 8.1	4,359	54	55	53
Leather and shoe findings	11	—10.9	+10.4	277	9	— 0.4	1,382	4	+ 2.7	0.0	116	352	377	374
Miscellaneous	39	+ 9.1	+ 4.9	4,201	34	+ 4.7	23,763	28	—13.1	— 5.4	5,032	137	173	153
Total	2,929	+ 7.8	— 1.3	203,752	2,661	+ 5.5	1,101,951	1,757	— 1.1	— 0.4	201,306	160	176	159

*This heading also includes distributors of mill, mine and steam supplies.
**Insufficient data to show separately.
♯These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms.
♯♯Total Sales, including liquors, wines, etc.

WHOLESALERS' accounts receivable and collections, June 1939

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		June 1939	June 1938	May 1939	Percent change June 1, 1939 from		As of June 1, 1939 (000's)
					June 1, 1938	May 1, 1939	
Automotive supplies	152	61	55	60	+ 6.2	+ 1.6	$3,212
Chemicals (industrial)	13	59	56	61	+12.7	+ 8.4	916
Paints and Varnishes	33	57	56	57	+ 6.1	+ 4.5	3,543
Clothing and furnishings, except shoes	44	52	42	50	—15.0	—12.7	2,896
Shoes and other footwear	33	46	43	44	— 1.6	— 6.8	5,864
Coal	10	76	61	68	— 8.3	—15.4	3,225
Drugs and drug sundries	63	78	75	80	+ 2.1	— 1.3	7,421
Without liquor department	48	73	70	74	+ 3.7	— 0.4	5,339
With liquor department	15	91	86	97	— 1.8	— 3.5	2,082
Dry goods	113	48	46	49	+ 2.5	— 2.3	20,388
Electrical goods	308	78	69	76	+10.0	+ 7.1	22,829
Dairy and poultry products	18	140	152	145	+ 6.5	+ 7.1	1,199
Fresh fruits and vegetables	58	157	156	150	+ 6.8	+ 2.0	1,132
Farm supplies	6	77	87	89	+15.9	—38.6	677
Furniture and house furnishings	41	57	55	59	+12.2	+ 0.5	5,272
Groceries and foods, except farm products	613	101	98	99	— 1.1	+ 1.2	43,204
Meats and meat products	56	169	163	177	+ 3.3	+ 0.5	6,634
Beer	15	120	130	118	— 4.1	+15.7	118
Wines and spirituous liquors	21	101	92	100	—21.1	— 0.8	2,564
Total hardware group	407	57	54	55	+ 7.3	+ 3.3	45,667
General hardware	142	55	51	53	+ 4.8	+ 1.8	30,827
Heavy hardware	20	69	65	72	+ 3.3	+ 3.4	1,544
Industrial supplies**	117	62	60	60	+16.4	+ 5.0	6,112
Plumbing and heating supplies	128	58	57	57	+12.4	+ 8.7	7,184
Jewelry	38	23	22	20	+ 8.8	+ 5.7	3,717
Optical goods	7	57	55	57	+25.0	0.0	75
Lumber and building materials	40	68	62	66	+16.7	+12.7	3,387
Machinery, equipment and supplies, except electrical	50	44	40	42	— 4.2	+ 5.1	2,317
Surgical equipment and supplies	31	45	42	44	+ 5.9	0.0	1,048
Metals	18	71	78	72	+16.8	— 4.7	1,475
Paper and its products	83	59	58	60	+ 3.0	— 0.1	6,368
Petroleum	10	90	97	94	+ 8.4	— 3.0	7,064
Tobacco and its products	116	129	126	128	+ 1.3	+ 4.4	8,413
Leather and shoe findings	10	41	41	42	+ 0.2	— 0.6	469
Miscellaneous	33	106	93	99	+ 1.3	+ 7.9	3,604
Total	2,442	77	74	76	+ 3.4	+ 1.2	$214,836

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic divisions, June, 1939

Geographic Division / Kind of Business	Dollar Sales				Sales For 6 Mos. 1939			End of Month Inventories (Cost)				Stock-Sales Ratios#		
	Number of firms reporting sales	Percent change June 1939 from: June 1938	Percent change June 1939 from: May 1939	June 1939 (000's)	Number of firms reporting sales	Percent change from 6 Mos. 1939	First 6 Mos. 1939 (000's)	Number of firms reporting stocks	Percent change June 1939 from: June 1938	Percent change June 1939 from: May 1939	June 30, 1939 (000's)	June 1939	June 1938	May 1939
New England	160	+ 5.0	- 1.3	$10,355	142	+ 5.1	$55,733	92	- 3.8	+ 5.0	$6,523	125	144	117
Electrical goods	33	+37.1	+ 5.9	1,386	29	+14.0	6,403	28	+ 9.3	- 7.8	1,378	102	129	118
Groceries and foods, except farm products	36	- 2.0	+ 6.3	2,774	28	+ 2.3	12,471	20	- 7.1	- 1.2	1,043	145	151	163
Industrial supplies*	14	+36.1	- 8.1	373	14	+28.9	1,996	9	- 4.4	+ 1.7	791	283	401	242
Plumbing and heating supplies	10	+18.6	+14.9	223	10	+ 6.7	1,047	4	- 2.6	+ 3.4	333	275	329	288
Tobacco and its products	12	- 2.5	+ 5.4	1,609	12	- 1.1	8,220	—	—	—	—	—	—	—
Middle Atlantic	661	+ 8.2	- 0.3	49,841	584	+ 4.8	266,940	365	- 2.3	- 0.5	34,920	132	146	133
Automotive supplies	31	+24.3	+ 4.3	701	27	+18.9	3,601	14	- 7.4	- 2.0	900	226	338	246
Clothing and furnishings, except shoes	18	+15.6	-35.0	535	13	+ 4.6	5,264	7	+ 3.5	+ 4.4	471	234	265	208
Shoes and other footwear	9	+ 9.4	-25.2	595	9	+10.0	4,379	5	+18.8	+ 2.3	1,444	304	283	214
Drugs (without liquor department)	14	+ 4.0	- 3.4	1,914	13	+ 7.0	11,222	11	+ 1.1	+ 1.1	1,415	171	180	171
Dry goods	47	+27.7	- 5.8	2,916	42	+17.1	16,828	27	- 1.7	- 2.9	3,952	251	298	247
Electrical goods	72	+51.3	+ 2.3	3,963	55	+19.2	15,260	61	+15.2	- 2.3	3,699	99	132	104
Fresh fruits and vegetables	13	+ 4.1	+ 3.3	432	10	+12.6	1,725	8	+ 9.1	0.0	48	16	15	16
Furniture and house furnishings	13	+12.1	-16.6	436	10	+13.5	2,174	9	+31.1	- 6.1	779	248	201	222
Groceries and foods, except farm products	116	+ 3.6	+ 4.9	12,175	108	- 0.9	64,855	42	- 5.2	- 5.9	4,284	119	124	130
Meats and meat products	19	+ 9.5	- 4.2	4,250	15	+16.0	24,185	14	- 1.7	- 1.7	290	37	43	38
Beer	10	+ 9.8	+ 9.8	157	9	- 1.0	693	6	+15.8	+46.7	22	22	21	17
General hardware	36	+14.5	- 7.8	2,241	32	+ 5.4	11,046	18	- 1.4	- 3.2	3,261	286	325	270
Industrial supplies*	37	+28.4	+ 3.1	1,175	36	+12.7	6,400	26	+ 3.6	+ 0.1	1,897	211	298	218
Plumbing and heating supplies	51	+16.1	+ 5.6	1,342	48	+11.7	6,361	33	- 7.9	+ 2.0	1,384	142	184	148
Jewelry	16	+ 8.4	+ 1.0	386	15	+26.0	2,203	11	- 7.6	+ 1.5	1,377	470	542	448
Lumber and building materials	11	+28.1	- 6.0	926	11	+10.7	4,358	4	+ 2.0	+ 2.0	451	86	112	72
Machinery, eqpt. & supplies, except elec.	12	+ 3.9	-13.7	158	9	-23.3	800	5	+10.0	- 2.8	209	243	253	187
Paper and its products	32	+ 9.5	- 3.6	1,410	23	+ 6.7	7,073	15	- 7.0	- 1.9	872	120	129	114
Tobacco and its products	51	+ 0.9	+ 7.0	6,039	49	- 0.9	29,931	23	- 4.2	+12.0	2,377	51	53	49
East North Central	540	+12.5	+ 0.8	34,502	483	+ 7.2	170,449	337	+ 2.9	0.0	36,803	155	173	154
Automotive supplies	47	+24.5	+ 0.7	580	44	+19.4	2,954	26	+ 1.2	+ 1.5	1,028	245	300	241
Paints and varnishes	12	+ 3.2	-24.6	255	11	+ 0.9	1,206	5	-12.9	+16.7	244	140	162	93
Clothing and furnishings, except shoes	12	+29.1	-27.3	213	8	+13.2	1,586	8	+29.6	+ 8.7	876	600	669	384
Drugs (without liquor department)	11	+ 2.6	- 0.5	883	9	+ 6.8	5,211	—	—	—	—	—	—	—
Electrical goods	61	+48.4	+ 3.9	5,254	54	+14.3	23,147	50	+ 9.3	- 1.0	4,437	103	153	108
Fresh fruits and vegetables	17	+ 2.7	- 7.0	571	15	+ 1.6	2,766	12	+ 8.4	- 3.4	142	38	35	37
Groceries and foods, except farm products	117	- 0.4	+ 5.9	9,106	97	+ 0.3	45,741	68	+ 0.5	- 2.2	7,541	128	127	138
Meats and meat products	17	- 5.3	-14.6	1,243	13	- 0.2	6,751	17	+17.0	+ 0.3	585	47	38	40
Beer	13	+ 8.3	+ 2.8	222	12	+ 6.2	1,008	12	+14.0	+22.5	49	23	22	19
General hardware	23	+14.2	+ 0.6	5,347	21	+ 6.3	20,654	19	+ 3.9	- 0.9	12,503	247	273	250
Industrial supplies*	21	+20.2	- 4.5	679	21	+18.4	3,731	13	- 8.0	- 2.2	1,021	259	314	235
Plumbing and heating supplies	21	+21.2	- 1.8	771	18	+11.6	3,650	13	- 2.1	- 1.9	975	283	347	281
Jewelry	16	+28.0	-16.9	448	15	+34.8	2,109	8	+ 0.5	+ 8.8	807	456	550	297
Metals	8	+ 9.8	+ 4.0	470	8	+18.7	2,734	6	+ 3.5	- 0.4	807	261	321	266
Paper and its products	27	+17.7	+ 1.0	1,825	25	+ 7.7	10,542	13	- 5.0	- 2.0	946	156	200	156
Tobacco and its products	47	+ 6.8	+ 0.3	3,622	47	+ 6.4	19,360	21	+11.9	+ 7.7	896	47	45	43
West North Central	330	+ 9.2	- 1.3	27,637	308	+ 6.9	154,783	227	- 1.3	- 2.0	34,647	178	195	181
Automotive supplies	16	+10.8	- 0.7	298	16	+ 8.9	1,646	6	- 7.0	0.0	397	247	305	261
Clothing and furnishings, except shoes	8	+28.1	-31.1	82	7	+ 4.7	640	6	-11.7	- 4.5	106	366	353	209
Dry goods	11	+17.4	- 0.5	3,208	11	+ 8.4	18,928	10	- 8.0	- 1.6	8,041	255	327	259
Electrical goods	40	+18.5	- 3.2	2,237	36	+ 8.3	10,919	36	- 0.2	- 2.6	1,884	96	114	96
Fresh fruits and vegetables	14	+ 9.3	+ 3.8	550	12	+ 2.0	2,548	11	- 5.3	- 4.7	143	31	36	33
Groceries and foods, except farm products	100	+ 1.2	+10.3	7,363	99	+ 0.5	38,314	69	0.0	- 2.9	9,137	153	156	175
General hardware	11	+ 7.1	- 1.2	2,431	11	+ 5.8	12,492	10	- 0.1	- 1.1	5,377	238	252	236
Heavy hardware	7	-10.9	- 9.1	229	7	+13.5	1,535	4	-17.0	- 4.1	235	161	175	138
Industrial supplies*	14	- 4.8	- 1.1	537	12	+15.8	2,056	9	+ 4.7	+ 2.4	775	195	169	181
Plumbing and heating supplies	11	+20.5	- 8.7	559	11	+13.6	2,602	5	-11.9	- 1.3	376	178	245	156
Machinery, eqpt. & supplies, except elect.	8	+40.4	+13.0	139	6	+13.3	620	5	+ 5.8	+ 5.8	165	154	220	177
Paper and its products	7	- 3.6	-10.9	163	7	+ 2.6	1,048	—	—	—	—	—	—	—
Tobacco and its products	14	+ 4.3	+ 6.2	1,056	14	+ 5.2	5,820	—	—	—	—	—	—	—
South Atlantic	343	+16.1	- 0.5	17,581	314	+ 9.2	96,695	192	+ 2.8	- 0.9	16,567	149	175	151
Automotive supplies	15	+24.6	+ 3.1	334	13	+24.5	1,775	8	+ 4.6	- 1.6	251	177	245	196
Drugs (without liquor department)	13	+ 7.8	- 5.5	954	13	+10.4	6,088	7	+ 1.0	- 0.1	1,121	209	230	198
Dry goods	14	+23.6	- 6.4	780	13	+ 3.5	4,670	8	-15.5	- 7.6	989	265	408	256
Electrical goods	49	+64.9	+15.1	2,678	42	+34.8	12,642	42	+10.9	- 5.4	2,483	96	143	116
Fresh fruits and vegetables	14	+10.5	+ 5.6	524	14	+10.4	2,793	7	-12.8	- 1.4	68	27	37	30
Groceries and foods, except farm products	112	+ 4.5	+ 0.6	5,088	99	+ 0.7	26,368	49	+ 1.5	- 1.1	3,350	131	136	135
General hardware	25	+26.3	- 5.8	1,508	25	+11.4	8,852	15	- 2.5	- 0.8	2,722	308	392	295
Industrial supplies*	15	+27.0	+14.8	451	14	+13.9	2,396	10	- 8.8	- 4.9	845	211	304	262
Plumbing and heating supplies	20	+11.8	- 2.8	777	20	+12.5	3,870	18	- 0.9	- 1.1	842	149	190	154
Paper and its products	10	+13.3	- 7.2	376	9	+ 6.9	2,249	5	-11.9	- 0.8	369	198	260	185
Tobacco and its products	15	+ 7.6	- 1.6	762	14	+ 8.5	4,153	5	- 8.7	+ 1.8	116	52	60	50
East South Central	160	+ 9.7	- 4.0	8,399	148	+ 6.0	46,286	86	- 6.1	- 5.4	8,914	176	213	180
Dry goods	13	+23.9	-15.1	617	12	+ 7.0	4,276	8	- 8.1	- 3.4	1,244	278	379	244
Electrical goods	14	+62.9	+ 7.0	658	13	+29.9	2,892	11	- 7.8	- 2.3	639	102	181	112
Groceries and foods, except farm products	56	+ 0.2	- 2.7	2,578	49	- 0.6	12,966	25	- 1.3	- 7.4	1,864	136	142	143
General hardware	19	+21.1	- 5.8	2,338	19	+ 9.3	13,726	10	- 5.6	- 5.7	2,953	232	307	234
Industrial supplies*	8	+24.6	+ 5.7	299	7	+16.9	1,395	—	—	—	—	—	—	—
West South Central	255	+ 4.7	- 1.1	15,244	239	+ 1.5	86,263	178	- 0.8	- 1.3	21,601	205	217	204
Automotive supplies	8	+16.3	+ 7.5	100	7	+ 5.7	466	7	+ 2.9	- 2.2	176	187	206	202
Drugs (with liquor department)	7	- 1.9	-24.5	713	7	+ 0.1	4,251	6	- 1.5	+ 5.3	2,463	365	367	259
Dry goods	11	+ 5.7	- 8.3	1,105	10	+ 2.7	7,069	10	+ 1.8	+ 2.8	3,301	328	336	290
Electrical goods	28	+39.0	+ 6.1	973	20	+ 2.5	4,585	20	+ 2.6	- 2.7	801	105	147	114
Groceries and foods, except farm products	130	+ 2.4	+ 2.0	7,837	127	+ 0.8	44,115	97	+ 1.2	- 4.8	7,144	133	135	144
General hardware	16	+12.9	+ 0.4	1,303	15	+ 9.9	7,186	11	- 3.0	- 1.1	2,610	287	336	295
Machinery, eqpt. & supplies, except elect.	8	-11.6	+ 3.4	486	7	-14.4	2,643	5	-19.9	- 2.8	1,846	442	472	468
Tobacco and its products	10	- 1.2	- 1.9	412	10	+ 1.2	2,346	—	—	—	—	—	—	—
Mountain	124	+ 8.6	+ 3.9	7,712	113	+ 4.8	37,789	90	- 1.8	- 2.6	9,103	163	182	172
Automotive supplies	13	+15.1	+ 9.0	229	9	+ 3.1	655	5	- 8.5	- 5.4	247	263	333	300
Electrical goods	13	+49.5	- 8.3	562	12	+45.4	2,736	10	+41.7	- 0.5	595	116	125	106
Groceries and foods, except farm products	40	+ 4.8	+10.8	3,084	40	- 2.5	15,686	37	- 7.2	- 5.8	3,466	130	147	154
General hardware	8	+ 8.9	- 1.5	892	8	+ 6.9	4,554	6	- 4.7	- 1.1	1,604	308	343	308
Pacific	354	+ 0.2	- 3.1	24,515	328	+ 3.1	133,990	189	- 2.1	- 0.4	25,141	172	176	164
Automotive supplies	62	+ 2.0	+ 1.3	915	60	+ 8.7	4,525	22	- 2.6	- 1.6	789	226	221	235
Dry goods	15	- 1.5	- 4.8	799	13	+ 5.4	4,499	7	- 8.8	- 5.7	825	309	334	301
Electrical goods	34	+ 9.5	- 5.1	2,746	33	+ 9.2	15,300	30	- 6.4	- 3.1	3,493	137	158	134
Dairy and poultry products	9	- 6.7	- 6.0	764	9	+ 0.9	4,682	7	+ 3.3	+ 2.9	466	72	66	68
Fresh fruits and vegetables	9	- 2.5	+ 2.3	318	7	+ 1.8	1,608	—	—	—	—	—	—	—
Furniture and house furnishings	9	+16.8	+ 1.3	556	8	+22.5	3,210	—	—	—	—	—	—	—
Groceries and foods, except farm products	55	- 6.4	- 5.7	7,732	52	- 5.7	42,979	30	- 1.8	- 2.2	6,467	126	117	116
Meats and meat products	9	+ 3.7	-10.7	1,030	9	+16.9	6,307	—	—	—	—	—	—	—
Wines and spirituous liquors	8	- 1.2	+ 8.2	894	6	+ 1.6	4,094	—	—	—	—	—	—	—
General hardware	19	+ 4.4	- 1.8	2,658	17	+ 5.7	14,156	10	- 4.0	- 1.0	5,243	364	406	343
Industrial supplies*	12	- 2.5	- 6.0	234	11	+ 8.0	1,262	6	+ 7.6	+ 1.8	227	203	222	192
Plumbing and heating supplies	13	+ 7.0	+ 4.3	780	12	+17.2	3,819	5	- 7.6	- 1.2	170	120	167	126
Lumber and building materials	13	+11.7	+ 6.7	412	12	+17.0	1,759	10	+ 6.1	+ 7.9	521	160	168	160
Machinery, eqpt. & supplies, except elect.	13	+15.3	+ 0.7	272	10	+12.7	1,346	4	- 7.2	- 1.5	337	383	465	398
Paper and its products	10	+ 5.9	+16.5	304	9	- 1.5	1,596	7	- 6.1	+ 2.5	861	319	362	368
Tobacco and its products	20	- 5.1	+ 5.0	1,315	19	+ 2.3	7,213	4	+21.5	+ 4.8	198	94	81	101

*This heading also includes distributors of mill, mine and steam supplies.
—Insufficient data to show separately.
#These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic regions, June 1939

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
					Percent change June 1, 1939 from		As of June 1, 1939 (000's)
		June 1939	June 1938	May 1939	June 1938	May 1939	
New England	138	72	66	71	-1.6	+1.1	$12,230
Electrical goods	31	79	74	78	+8.7	+12.7	1,564
Groceries and foods, except farm products	30	83	74	81	-8.0	+2.8	2,372
Industrial supplies**	11	59	51	52	+19.9	-0.4	458
Plumbing and heating supplies	9	44	41	44	+3.7	-0.3	339
Tobacco and its products	9	119	119	122	-1.9	+10.5	1,061
Middle Atlantic	557	85	82	83	+1.6	+2.0	49,052
Automotive supplies	27	52	45	49	+2.1	+2.1	811
Clothing and furnishings, except shoes	16	53	40	49	-22.0	-13.6	1,763
Shoes and other footwear	9	46	46	44	+6.0	-5.2	1,846
Drugs (without liquor department)	12	67	63	68	-0.3	+0.5	1,820
Dry goods	42	58	55	58	+9.9	-3.0	4,620
Electrical goods	68	84	71	82	+7.0	+8.2	4,285
Furniture and house furnishings	10	51	49	52	+11.5	+1.1	900
Groceries and foods, except farm products	92	99	100	94	+2.3	+1.0	9,357
Meats and Meat products	15	166	156	172	-0.4	-0.5	2,439
General hardware	29	51	48	47	+3.5	+0.4	3,499
Heavy hardware	6	65	63	64	+16.4	+5.8	546
Industrial supplies**	34	63	57	62	+10.0	+4.9	1,639
Plumbing and heating supplies	49	53	55	49	+14.3	+7.5	2,280
Jewelry	12	23	20	19	+7.6	+4.8	724
Lumber and building materials	11	68	57	66	+8.0	+15.6	1,320
Machinery, equipment and supplies, except electrical	9	52	53	54	-11.2	+6.3	238
Surgical equipment and supplies	6	29	27	26	+5.2	-3.6	241
Paper and its products	25	62	67	66	+1.9	+1.4	1,500
Tobacco and its products	34	123	122	122	+5.7	+6.4	1,428
East North Central	448	74	69	72	+4.4	+1.9	38,349
Automotive supplies	43	72	60	72	+4.6	+4.1	664
Paints and varnishes	12	37	36	34	+5.9	+7.7	630
Clothing and furnishings, except shoes	11	59	48	58	-0.8	-13.5	519
Drugs (without liquor department)	9	78	80	78	+6.8	-2.0	641
Dry goods	6	51	47	53	-2.6	+2.2	848
Electrical goods	54	72	61	71	+11.2	+9.5	6,264
Fresh fruits and vegetables	9	150	149	136	-1.5	-5.0	191
Groceries and foods, except farm products	92	99	97	97	-2.6	+0.8	7,129
Meats and meat products	14	139	140	155	-5.4	-6.2	669
General hardware	23	60	56	58	+4.3	+1.7	8,394
Industrial supplies**	21	67	65	70	+19.8	+9.5	930
Plumbing and heating supplies	20	62	62	62	+22.3	+14.0	1,151
Jewlery	14	23	24	21	+12.1	+7.2	1,782
Lumber and building materials	7	81	72	74	+36.2	+19.0	500
Surgical equipment and supplies	7	56	50	56	+7.8	+3.5	387
Metals	8	74	67	72	+5.9	-3.4	596
Paper and its products	25	57	54	58	+3.5	+0.5	2,946
Tobacco and its products	28	128	120	128	+3.5	+2.9	1,692
West North Central	278	81	77	81	+2.6	-0.9	31,420
Automotive supplies	10	56	58	56	+18.7	-0.1	305
Clothing and furnishings, except shoes	8	38	37	40	+4.4	-7.3	331
Dry goods	11	47	46	49	+1.4	-2.1	6,630
Electrical goods	37	73	67	77	-3.2	+7.8	2,587
Fresh fruits and vegetables	9	208	193	184	+4.2	+3.7	198
Furniture and house furnishings	7	64	58	63	+12.1	+1.5	1,890
Groceries and foods, except farm products	82	123	123	114	+1.4	-1.2	5,077
General hardware	11	59	53	58	+2.4	-0.1	4,259
Heavy hardware	7	86	89	100	-5.9	+2.8	257
Industrial supplies**	13	55	59	53	+22.6	+5.4	826
Plumbing and heating supplies	11	62	50	57	+5.1	+19.2	758
Jewelry	6	38	35	34	0.0	+4.3	336
Machinery, equipment and supplies, except electrical	6	81	84	74	+27.1	+4.9	108
Tobacco and its products	6	176	102	167	-17.3	-7.7	311
South Atlantic	269	71	69	71	+10.7	+2.8	17,708
Automotive supplies	12	64	51	63	+19.6	-7.8	317
Drugs (without liquor department)	10	80	78	83	+10.1	-1.8	876
Dry goods	10	41	41	41	+3.9	+1.2	1,404
Electrical goods	44	31	76	77	+30.4	+5.9	2,982
Fresh fruits and vegetables	12	122	139	123	+20.3	+3.0	278
Groceries and foods, except farm products	80	95	91	99	+2.1	+2.5	3,530
General hardware	24	46	42	47	+10.7	+4.1	2,965
Industrial supplies**	13	56	55	50	+21.1	+4.9	667
Plumbing and heating supplies	20	58	60	59	+8.8	+9.8	1,248
Paper and its products	8	63	63	66	+4.1	+0.4	459
Tobacco and its products	8	107	113	110	+17.7	+3.9	293
East South Central	131	61	59	61	+5.1	+0.9	11,246
Dry goods	13	37	35	41	+3.1	-3.9	1,679
Electrical goods	12	82	68	80	+21.1	+4.1	753
Groceries and foods, except farm products	41	85	87	90	+0.2	+1.9	2,034
General hardware	17	53	49	52	+7.8	+2.8	3,724
Industrial supplies**	8	61	60	64	+11.7	+8.3	419
West South Central	225	68	63	68	0.0	+0.2	16,740
Automotive supplies	7	67	64	59	+15.3	+4.6	113
Drugs (with liquor department)	6	68	60	80	-5.8	-2.6	1,066
Dry goods	11	39	34	40	-2.5	-4.3	3,187
Electrical goods	24	82	66	79	-10.8	+3.5	717
Groceries and foods, except farm products	116	93	92	91	+0.3	+0.5	5,496
General hardware	14	56	53	58	+5.7	+0.7	2,101
Machinery, equipment and supplies, except electrical	7	30	27	28	-10.7	+10.9	1,080
Tobacco and its products	7	86	90	94	+7.9	+1.1	177
Mountain	102	79	73	77	+3.8	+4.2	6,754
Automotive supplies	8	57	51	55	+4.3	+3.3	216
Electrical goods	11	81	78	79	+56.5	+9.2	687
Groceries and foods, except farm products	35	101	85	96	-12.6	+2.4	2,233
General hardware	6	53	50	53	+5.5	+5.5	915
Pacific	293	79	78	78	+3.3	+1.0	26,964
Automotive supplies	42	63	63	63	+1.4	+3.8	735
Shoes and other footwear	7	47	47	46	+9.5	-0.8	381
Dry goods	13	62	59	56	-1.4	-3.7	1,296
Electrical goods	27	76	74	75	+4.6	-0.2	2,990
Dairy and poultry products	9	163	165	160	+2.2	-3.9	424
Furniture and house furnishings	9	57	55	59	+9.3	-2.9	964
Groceries and foods, except farm products	45	109	017	113	-2.3	+2.8	5,976
Meats and meat products	8	172	179	183	+19.0	-1.0	583
Wines and spirituous liquors	8	92	96	90	+19.1	+12.1	781
General hardware	16	53	49	49	+2.5	+2.5	4,777
Industrial supplies**	11	58	58	53	+5.3	-2.1	380
Plumbing and heating supplies	13	69	69	70	+12.4	+2.6	986
Lumber and building materials	13	56	53	56	+13.0	+6.9	636
Machinery, equipment and supplies, except electrical	9	51	46	46	+8.5	-4.8	318
Surgical equipment and supplies	5	41	44	43	+0.7	-8.0	150
Paper and its products	7	40	38	40	+1.5	+1.1	542
Tobacco and its products	15	109	107	105	-1.0	-2.0	980

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

** This heading also includes distributors of mill, mine and steam supplies.

STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Aris., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.).